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December 30, 1988

Ms. Noreta R. McGee, Secretary
Interstate Commerce Commission
Twelfth Street and Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Secretary:

On behalf of our client, Security Pacific Equipment Leasing, Inc., enclosed are an original and one counterpart of the documents described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The documents (the "Documents") are:

- (1) Collateral Assignment and Security Agreement, dated as of June 25, 1988 ("Collateral Assignment"), a Primary Document.
- (2) Lease Agreement, dated as of June 25, 1988 ("Headlease"), a Primary Document.
- (3) Restated Lease Agreement, dated as of June 25, 1988 (the "Sublease"), a Primary Document which is related to:
 - (a) Lease Agreement, dated as of December 30, 1987, a Primary Document, filed with the Interstate Commerce Commission on January 4, 1988 and assigned Recordation No. 15440; and
 - (b) Lease Supplement No. 1, dated as of December 31, 1987, a Secondary Document, filed with the Interstate Commerce Commission on January 4, 1988 and assigned Recordation No. 15440-A.
- (4) German Lessor Security Agreement, dated as of June 30, 1988 (the "German Lessor Security Agreement"), a Primary Document.

No.

Date DEC 30 1988

Fee \$ 55.00

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C. Dean Lytle
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December 30, 1988

The Primary documents to which documents numbered (1), (2) and (4) are related are the Collateral Assignment, the Headlease and the German Lessor Security Agreement referred to above, for which no recordation numbers have yet been issued.

All capitalized terms used herein without definition have the meanings assigned thereto in Restated Schedule X to the Headlease.

The names and addresses of the parties to the Documents are as follows:

Secured Party in Document (1), Lessor in Document (2) and Debtor in Document (4):

DB Export-Leasing GmbH
Taunusanlage 12
D-6000 Frankfurt am Main 1
Federal Republic of Germany

Debtor in Document (1), Lessee In Document (2), Lessor in Document (3) and Secured Party in Document (4):

Security Pacific Equipment Leasing, Inc.
Four Embarcadero Center
Suite 1200
San Francisco, CA 94111
Attention: Manager, Operations Department LEV

Lessee in Document (3):

Massachusetts Bay Transportation Authority
Ten Park Plaza
Boston, MA 02116
Attention: Treasurer-Controller

A description of the equipment covered by the Documents follows:

34 commuter rail coaches manufactured by Messerschmitt-Bolkow-Blohm GmbH (the "Manufacturer") pursuant to the Purchase Agreement, dated August 7, 1985, as amended, between the Manufacturer and Massachusetts Bay Transportation Authority ("MBTA") and identified by MBTA vehicle identification numbers 500 through 516, inclusive, and 1500 through 1516, inclusive.

A fee of \$40.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Goodwin, Procter & Hoar, Exchange Place, Boston, MA 02109, Attention: F. Beirne Lovely, Jr., Esq.

A short summary of the Documents to appear in the index follows:

1. Primary Document. Collateral Assignment and Security Agreement, dated as of June 25, 1988, between DB Export-Leasing GmbH ("DBX"), Taunusanlage 12, D-6000 Frankfurt am Main 1, Federal Republic of Germany, as secured party, and Security Pacific Equipment Leasing, Inc. ("Security Pacific"), Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, as debtor, pursuant to which Security Pacific grants a security interest to DBX in, among other things, its rights and interests as lessor to a Restated Lease Agreement, dated as of June 25, 1988, between Security Pacific and Massachusetts Bay Transportation Authority, Ten Park Plaza, Boston, MA 02116, as lessee, including the rentals and other payments due thereunder.

2. Primary Document. Lease Agreement, dated as of June 25, 1988, between DB Export-Leasing GmbH, Taunusanlage 12, D-6000 Frankfurt am Main 1, Federal Republic of Germany, as lessor, and Security Pacific Equipment Leasing, Inc., Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, as lessee with respect to the lease of 34 commuter rail coaches manufactured by Messerschmitt-Bolkow-Blohm GmbH.

3. Primary Document. Restated Lease Agreement, dated as of June 25, 1988, between Security Pacific Equipment Leasing, Inc., Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, as lessor, and Massachusetts Bay Transportation Authority, Ten Park Plaza, Boston, MA 02116, as lessee, covering 34 commuter rail coaches manufactured by Messerschmitt-Bolkow-Blohm GmbH, which amends and restates the following documents previously filed with the Interstate Commerce Commission:
 - (a) Lease Agreement between Security Pacific Equipment Leasing, Inc., Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, as lessor, and Massachusetts Bay Transportation Authority, Ten Park Plaza, Boston, MA 02116, as lessee, dated as of December 30, 1987, covering 34 commuter rail coaches manufactured by Messerschmitt-Bolkow-Blohm GmbH, a Primary Document filed with the Interstate Commerce Commission on January 4, 1988 and assigned Recordation No. 15440; and

December 30, 1988

- (b) Lease Supplement No. 1 between Security Pacific Equipment Leasing, Inc., Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, as lessor, and Massachusetts Bay Transportation Authority, Ten Park Plaza, Boston, MA 02116, as lessee, dated as of December 31, 1987, covering 34 commuter rail coaches constituting the equipment covered by the Lease Agreement dated December 30, 1987, a Secondary Document filed with the Interstate Commerce Commission on January 4, 1988 and assigned Recordation No. 15440-A.
- 4. Primary Document. German Lessor Security Agreement, dated as of June 30, 1988, between DB Export-Leasing GmbH ("DBX"), Taunusanlage 12, D-6000 Frankfurt am Main 1, Federal Republic of Germany, as debtor, and Security Pacific Equipment Leasing, Inc. ("Security Pacific"), Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, as secured party, pursuant to which DBX grants a security interest to Security Pacific in its interest in 34 commuter rail coaches manufactured by Messerschmitt-Bolkow-Blohm GmbH (the "Equipment") leased to Security Pacific pursuant to a Lease Agreement (the "Headlease"), dated as of June 25, 1988, between DBX and Security Pacific to secure Security Pacific's purchase option under the Headlease.

A short summary of the transaction of which the Documents are a part follows:

The Documents have been entered into in connection with the refinancing of a leveraged lease transaction (which originally closed on December 31, 1987) pursuant to an Agreement to Purchase and Lease (the "Agreement to Purchase and Lease"), dated as of June 25, 1988, among Massachusetts Bay Transportation Authority (the "Sublessee"), Security Pacific Equipment Leasing, Inc. (the "U.S. Lessor"), DB Export-Leasing GmbH (the "German Lessor"), Deutsche Credit Corporation (the "Purchaser"), New England Merchants Funding Corporation (the "Original Noteholder") and Wilmington Trust Company, not in its individual capacity (except as therein provided) but solely as Indenture Trustee (the "Indenture Trustee"). In accordance with the Agreement to Purchase and Lease, the U.S. Lessor will transfer title to 34 commuter rail coaches (the "Equipment") currently leased to the Sublessee to the German Lessor and lease the Equipment back pursuant to a Lease Agreement, dated as of June 25, 1988 (the "Headlease"); the Equipment will continue to be leased to the Sublessee pursuant to a Restated Lease Agreement, dated as of June 25, 1988 (the "Sublease"). The purchase price of the

December 30, 1988

Equipment will be financed in part by the sale by the German Lessor to the Purchaser pursuant to an Accounts Receivable Purchase Agreement No. 1, dated June 25, 1988 ("Accounts Receivable Purchase Agreement") of a portion of the rentals to be paid under the Headlease. The U.S. Lessor will use the cash proceeds of the sale to repay in full the loan made in 1987 by the Original Noteholder and the Indenture Trustee will discharge the Trust Indenture and Security Agreement, dated as of December 30, 1987, as supplemented by Trust Indenture Supplement No. 1, dated as of December 31, 1987 ("Indenture"), entered into by the U.S. Lessor. The U.S. Lessor will retain its original investment in the form of an ownership interest of a portion of the rentals secured by the Collateral Assignment described below. The obligations of the U.S. Lessor under the Headlease will be secured by an assignment to the German Lessor of the U.S. Lessor's interest in the Sublease, among other things, pursuant to a Collateral Assignment and Security Agreement, dated as of June 25, 1988 (the "Collateral Assignment") and the obligations of the German Lessor under the Accounts Receivable Purchase Agreement will be secured by an assignment to the Purchaser of the German Lessor's interest in the Equipment, the Headlease and the Collateral Assignment. In addition, the German Lessor will grant a second security interest in the Equipment to the U.S. Lessor pursuant to a German Lessor Security Agreement, dated as of June 25, 1988, to secure the purchase option given to the U.S. Lessor under the Headlease.

The names and addresses of the other parties to such transaction are:

Purchaser of Accounts Receivable under the Headlease and Secured Party:

Deutsche Credit Corporation
2333 Waukegan Road
Deerfield, Illinois 60015

and, only for the purposes of agreeing to the prepayment of the note held by the Original Noteholder and the discharge of the Indenture:

Original Noteholder:

New England Merchants Funding Corporation
28 State Street
Boston, MA 02109
Attention: Halsey B. Collins, Esq.

Indenture Trustee:

December 30, 1988


Wilmington Trust Company, as Indenture Trustee
under the Trust Indenture and Security Agreement,
dated as of December 30, 1987
Rodney Square North
Wilmington, DE 19890
Attention: Corporate Trust Administration

Please acknowledge receipt of this letter of transmittal and its enclosures by appropriately stamping the enclosed copy of this letter and by returning it to Mr. Lovely in the addressed envelope enclosed for your convenience.

Very truly yours,

Ropes & Gray

By


Partner

Enclosures: Collateral Assignment and Security Agreement -
Two Original Counterparts and One Notarized Copy
of each Counterpart
Lease Agreement - Original and Notarized Copy
Restated Lease Agreement - Original and Notarized Copy
German Lessor Security Agreement -
Original and Notarized Copy
Transmittal Letter (Copy)
Check (\$40.00)
Return Envelope (Postage Prepaid)

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INTERSTATE COMMERCE COMMISSION

Dated as of June 25, 1988

DB EXPORT-LEASING GmbH,

and

U.S. Lessor

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COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT

THIS COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT dated as of June 25, 1988, between (i) DB EXPORT-LEASING GmbH, a German company (the "Secured Party"), and (ii) SECURITY PACIFIC EQUIPMENT LEASING, INC., a Delaware corporation (the "U.S. Lessor").

W I T N E S S E T H :

WHEREAS, the Secured Party and the U.S. Lessor have, immediately prior to the execution and delivery of this Collateral Assignment and Security Agreement, entered into a Headlease Agreement whereby, among other things, the Secured Party has agreed to lease to the U.S. Lessor, and the U.S. Lessor has agreed to lease from the Secured Party, the Equipment;

WHEREAS, the U.S. Lessor desires by this Collateral Assignment and Security Agreement, among other things, to provide for the deposit, assignment and pledge by the U.S. Lessor with the Secured Party, as part of the Collateral hereunder, among other things, of all of the U.S. Lessor's right and interest in and to the Equipment and Parts and its right, title and interest in and to the Sublease, the Purchase Agreement, the Purchase Agreement Assignment, the Sublessee's Assignment and all payments and other amounts received hereunder or thereunder in accordance with the terms hereof, as security for the U.S. Lessor's obligations to the Secured Party under the Headlease;

WHEREAS, all things necessary to make this Collateral Assignment and Security Agreement the valid, binding and legal obligation of the U.S. Lessor, for the uses and purposes herein set forth, in accordance with its terms, have been done and performed and have happened;

NOW, THEREFORE, in order to secure the prompt payment of Headlease Rent and the performance and observance by the U.S. Lessor of all the agreements, covenants and provisions herein and in the Headlease for the benefit of the Secured Party contained, and for the uses and purposes and subject to the terms and provisions hereof, and in consideration of the premises and of the covenants herein contained, the U.S. Lessor has assigned, transferred, pledged and confirmed, and does hereby assign, transfer, pledge and confirm, unto the Secured Party, its successors and assigns, and create a security interest in, the

following described property, rights and privileges (which collectively, including all property hereafter specifically subjected to the lien of this Collateral Assignment and Security Agreement by any agreement supplemental hereto, are hereinafter called the "Collateral"), to wit:

(1) all right and interest of the U.S. Lessor in and to all Equipment;

(2) all Sublease Rent and other payments due under and all right, title and interest of the U.S. Lessor, as lessor, in and to, the Sublease and all insurance and requisition proceeds (except public liability insurance proceeds), and other payments of any kind for or with respect to the Equipment, and including all rights of the U.S. Lessor to execute any election or option or to give any notice, consent, waiver, or approval under or in respect of the Sublease or to accept any surrender of the Equipment or any part thereof as well as any rights, powers or remedies on the part of the U.S. Lessor, whether arising under the Sublease or by statute or at law or in equity, or otherwise, arising out of any event of default by the Sublessee under the Sublease excluding, however, the Excepted Rights;

(3) all right, title and interest of the U.S. Lessor in, to and under the Purchase Agreement, to the extent assigned by the Purchase Agreement Assignment and to the extent the Purchase Agreement as so assigned relates to the Equipment, and all right, title and interest of the U.S. Lessor in, to and under the Purchase Agreement Assignment;

(4) all right, title and interest of the U.S. Lessor in and to the Sublessee's Assignment;

(5) all the rents, issues, profits, revenues and other income of the property subjected or required to be subjected to the lien of this Collateral Assignment and Security Agreement, and all the estate, right, title and interest of every nature whatsoever of the U.S. Lessor in and to the same and every part thereof;

(6) all right, title and interest of the U.S. Lessor in, to and under any and all insurance and requisition proceeds with respect to the Equipment including but not limited to the insurance required under Article 9 of the Headlease; and

(7) all proceeds of the foregoing.

BUT EXCLUDING, HOWEVER, from the foregoing property, rights and privileges all Excluded Payments;

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Secured Party, its successors and assigns, and for the uses and purposes and subject to the terms and provisions set forth in this Collateral Assignment and Security Agreement.

It is expressly agreed that anything herein contained to the contrary notwithstanding, the U.S. Lessor shall to and only to the express extent provided in Section 6.10 hereof remain liable on a recourse basis under the Sublease, the Purchase Agreement, the Purchase Agreement Assignment and the Sublessee's Assignment to perform all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the Secured Party shall have no obligation or liability under the Sublease, the Purchase Agreement, the Purchase Agreement Assignment or the Sublessee's Assignment by reason of or arising out of the assignment hereunder, nor shall the Secured Party be required or obligated in any manner to perform or fulfill any obligations of the U.S. Lessor under or pursuant to the Sublease, the Purchase Agreement, the Purchase Agreement Assignment or the Sublessee's Assignment or, except as herein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

The U.S. Lessor does hereby constitute the Secured Party the true and lawful attorney of the U.S. Lessor, irrevocably, with full power (in the name of the U.S. Lessor or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due and to become due under or arising out of the Sublease, the Purchase Agreement (to the full extent assigned hereby), and the Sublessee's Assignment (but only to the extent such monies and claims are assigned to Secured Party pursuant to this Collateral Assignment and Security Agreement and do not constitute Excluded Payments or arise from Excepted Rights hereunder), to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Secured Party, acting in accordance with its standard of care hereunder, may deem to be necessary or advisable in the premises.

Unless and until a Collateral Assignment Event of Default shall have occurred and be continuing, the U.S. Lessor may exercise on its own behalf the rights, powers and privileges possessed by the U.S. Lessor under the Cross Border Documents.

The U.S. Lessor agrees, subject to the non-recourse nature of its obligations hereunder, that at any time and from time to time, upon the written request of the Secured Party, the U.S. Lessor will promptly and duly execute and deliver any and all such further instruments and documents as the Secured Party may reasonably deem desirable in obtaining the full benefits of the assignment hereunder and of the rights and powers herein granted. The U.S. Lessor does hereby warrant and represent that it has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as the assignment hereunder shall remain in effect, any of its rights, title or interest hereby assigned, to anyone other than the Secured Party, except that the U.S. Lessor may transfer its interest to the extent permitted in the Agreement to Purchase and Lease, and it will not, except as provided in this Collateral Assignment and Security Agreement, enter into any agreement amending or supplementing the Sublease, the Purchase Agreement, the Purchase Agreement Assignment, or the Sublessee's Assignment, accept any payment from the Lessee, settle or compromise any claim (other than claims not assigned hereunder) against the Sublessee arising under the Sublease, the Purchase Agreement, the Purchase Agreement Assignment, or the Sublessee's Assignment, or submit or consent to the submission of any dispute, difference or other matter arising under or in respect of the Sublease, the Purchase Agreement, the Purchase Agreement Assignment, or the Sublessee's Assignment to arbitration thereunder.

The U.S. Lessor does hereby ratify and confirm the Sublease, the Purchase Agreement Assignment and the Sublessee's Assignment and does hereby agree that it will not, except as provided in this Collateral Assignment and Security Agreement, take or omit to take any action, the taking or omission of which might result in an alteration or impairment of the Sublease or the assignment hereunder or of any of the rights created by the Sublease, the Purchase Agreement, the Purchase Agreement Assignment, the Sublessee's Assignment or the assignment hereunder.

It is Hereby Covenanted and Agreed by and between the parties hereto as follows:

ARTICLE I Definitions

1.1 Definitions. For all purposes of this Collateral Assignment and Security Agreement the capitalized terms used herein are defined in, or by reference in, Restated Schedule X annexed hereto and incorporated herein as such terms may be amended from time to time. No amendment to Restated Schedule X

attached hereto shall become effective until a corresponding amendment is made to Restated Schedule X attached to the Agreement to Purchase and Lease, the Sublease and the Headlease or until the parties to the Agreement to Purchase and Lease, the Sublease and the Headlease shall have waived this condition in writing with respect to such amendment.

ARTICLE II Termination in Certain Circumstances.

2.1. Optional Termination of Collateral Assignment. At any time during the six-month period after the Secured Party, acting pursuant to Article IV hereof, has (i) declared the Headlease to be in default pursuant to Article 13 thereof (unless such declaration has been rescinded) or (ii) acted to foreclose or otherwise enforce the lien of this Collateral Assignment arising out of such Headlease Event of Default, then the U.S. Lessor may elect to terminate this Collateral Assignment by giving written notice of such election to the Secured Party (which notice shall state that it is irrevocable and designating a Headlease Stipulated Loss Value Date not less than 10 days thereafter as the termination date) and paying to the Secured Party on such termination date an amount equal to the Headlease Stipulated Loss Value plus all other sums then due and owing hereunder or under the Headlease (including the installment of Basic Headlease Rent due on such termination date) or under the Agreement to Purchase and Lease. Upon the payment of such amount, the U.S. Lessor, as agent for the Secured Party, shall use its best efforts to obtain bids for the purchase of all (but not less than all) items of Equipment then subject to the Headlease and in the event it receives any bid, the U.S. Lessor shall, at least five Business Days prior to the proposed date of sale, certify to the Secured Party in writing the amount and terms of such bid, the proposed date of such sale and the name and address of the party (who may be the U.S. Lessor) submitting such bid. The U.S. Lessor shall have the option, exercisable by notice contained in the U.S. Lessor's certification of the bid referred to in the immediately preceding sentence, to purchase the Equipment for the same amount and on the same terms as the bid so certified. On or before the proposed date of sale, the Secured Party shall Transfer the Equipment to the purchaser against payment by the purchaser of the purchase price in same day funds (if the U.S. Lessor is the purchaser, such payment shall be reduced by any amount to which the U.S. Lessor would be entitled under clause fourth of Section 3.3 hereof) and the Secured Party shall execute and deliver such documents evidencing such sale and Transfer as the purchaser shall reasonably request, but, in any event, by Bill of Sale providing that the Equipment

is transferred and conveyed "AS IS, WHERE IS". THE SECURED PARTY HAS NOT MADE AND SHALL NOT MAKE ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY, DURABILITY, DESIGN, OPERATION, FITNESS FOR A PARTICULAR PURPOSE OR USE, OR SUITABILITY OF THE EQUIPMENT, AND SHALL TRANSFER ALL OF ITS RIGHT, TITLE AND INTEREST IN THE EQUIPMENT TO SAID PURCHASER "AS IS, WHERE IS" WITHOUT WARRANTY, EXPRESS OR IMPLIED, except that the Secured Party will warrant to the purchaser that the Equipment is free and clear of Lessor Liens attributable to it. Upon such transfer, this Collateral Assignment shall terminate, and the Secured Party will release the Collateral as described in Section 6.1.

ARTICLE III
Receipt, Distribution and Application of Income
From the Collateral

3.1. Basic Sublease Rent. Except as otherwise provided in Section 4.3 hereof, each installment of Basic Sublease Rent and any payment of interest on overdue installments of Basic Sublease Rent received by the Secured Party at any time shall be applied by the Secured Party on the date such payment is received by the Secured Party (or on the date such payment is due in immediately available funds if such date is later than such date of receipt) in the following order of priority: first, to the payment of all amounts due under the Headlease for Basic Headlease Rent and Supplemental Headlease Rent (if any); and, second, the balance, if any, of such installment remaining thereafter shall, subject to the provisions of Accounts Receivable Purchase Agreement No. 2, be remitted to the U.S. Lessor. It is understood and agreed between the U.S. Lessor and the Secured Party that, as provided in Section 8.4 of the Headlease, all payments of Basic Sublease Rent shall be paid by the U.S. Lessor directly to the Secured Party or its assignee, and applied by it in accordance with the provisions of this Article III.

3.2. Payments After Event of Loss. (a) Except as otherwise provided in Section 3.3 hereof, any payment from the Sublessee pursuant to Section 10.3 of the Sublease as a result of the occurrence of an Event of Loss with respect to the Equipment (unless Equipment is substituted pursuant to such Section 10.3), shall in each such case be applied by the Secured Party in the following order of priority: first, to the payment of any tax (except to the extent taken into account directly or indirectly in the amount of Headlease Stipulated Loss Value payable pursuant to clause third of Section 3.3 hereof) or other expense of the

Secured Party (and not reimbursed) in connection with the collection or distribution of such payment; second, to the payment of all amounts due in respect of accrued Basic Headlease Rent and Supplemental Headlease Rent; third, in the manner provided in clause "second" of Section 3.3 hereof; and fourth, in the manner provided in clause "fourth" of Section 3.3 hereof.

(b) Except as otherwise provided in Section 3.3 hereof, any payment made directly or through the Sublessee by any governmental authority or other party pursuant to Section 10.3 of the Sublease with respect to the Equipment or any item thereof as the result of governmental requisition of the Equipment or any item thereof, to the extent that such payment is not at the time required to be paid to the Sublessee pursuant to said Section 10.3, and any payment of insurance proceeds made directly or through the Sublessee by any insurer (or under any governmental indemnity in lieu thereof) or otherwise of the character described in Section 9.3 of the Sublease with respect to the Equipment as the result of an Event of Loss, to the extent such payment is not at the time required to be paid to the Sublessee pursuant to said Section 9.3, shall, except as otherwise provided in the next sentence, be applied by the Secured Party in order of priority set forth in paragraph (a) of this Section 3.2. Any portion of any payment referred to in the foregoing sentence not required to be paid to the Sublessee pursuant to Section 10.3 or Section 9.3 of the Sublease, as the case may be, solely because a Sublease Event of Default shall have occurred, shall, to the full extent thereof, be applied by the Secured Party in accordance with Section 3.3 hereof.

3.3. Payments After Event of Default. Except as otherwise provided by Section 3.4, all payments received and amounts realized by the Secured Party constituting part of the Collateral after a Collateral Assignment Event of Default shall have occurred and be continuing and (in the event such Collateral Assignment Event of Default is a Collateral Assignment Event of Default referred to in paragraph (a) of Section 4.2 hereof) after the Secured Party has declared (as assignee from the U.S. Lessor of the Sublease) the Sublease to be in default pursuant to Section 13 thereof (including any amounts realized by the Secured Party from the exercise of any remedies pursuant to Section 13 of the Sublease or Article IV hereof), as well as all payments or amounts then held by the Secured Party as part of the Collateral, shall be applied by the Secured Party in the following order of priority:

first, to the payment of any tax, expense or other loss (including without limitation all amounts to be expended at the expense of, or charged upon the tolls,

rents, revenues, issues, products and profits of, the Collateral) incurred by the Secured Party for amounts paid by it (to the extent not previously reimbursed) (including without limitation, the expenses of any sale, taking or other proceeding, reasonable attorneys' fees and expenses, court costs, and any other expenditures incurred or expenditures or advances made by the Secured Party in the protection, exercise or enforcement of any right, power or remedy or any damages sustained by the Secured Party, liquidated or otherwise, upon such Collateral Assignment Event of Default);

second, to the payment of any amounts payable to the Secured Party pursuant to the provisions of Section 10 of the Agreement to Purchase and Lease;

third, to the payment in full of all amounts owing under Section 13 of the Headlease; and

fourth, the balance, if any, of such payments or amounts remaining thereafter shall be remitted to the U.S. Lessor.

3.4. Certain Payments. Notwithstanding anything to the contrary contained in this Article III, any payments received by the Secured Party which represent Excluded Payments shall be remitted forthwith to the person entitled thereto.

ARTICLE IV
Covenants of U.S. Lessor; Events of
Default; Remedies of the Secured Party

4.1. Covenants of U.S. Lessor. The U.S. Lessor hereby covenants and agrees as follows:

(a) the U.S. Lessor will duly and punctually pay all sums due under the Headlease, in accordance with the terms thereof; and

(b) the U.S. Lessor agrees that it will not directly or indirectly create, incur, assume or suffer to exist any Lessor Lien attributable to it on or in or with respect to any of the properties or assets of the Collateral Assignment; and

(c) the U.S. Lessor will furnish to the Secured Party promptly upon receipt thereof, duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and other instruments

furnished to the U.S. Lessor under the Sublease, including, without limitation, a copy of each report or notice from an independent insurance broker received pursuant to Article 9 of the Sublease, to the extent that the same shall not have been furnished to the Secured Party pursuant to the Headlease; and

(d) without the prior consent of the Secured Party, the U.S. Lessor shall not amend, modify or waive, or consent to any amendment, modification or waiver of, any term or provision of the Sublease, the Purchase Agreement, the Purchase Agreement Assignment or the Sublessee's Assignment, provided, that so long as no Collateral Assignment Default or Collateral Assignment Event of Default shall have occurred and be continuing, the U.S. Lessor may so amend, modify or waive any such term or provision, or consent thereto, if such amendment, modification, waiver or consent does not result in any reduction in Basic Sublease Rent or Sublease Stipulated Loss Value or is not inconsistent with the U.S. Lessor's obligations under the Headlease.

4.2. Events of Default. Wherever used herein, "Collateral Assignment Event of Default" means any of the following events (whatever the reason for such Collateral Assignment Event of Default and whether it shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) any "Event of Default" specified in Article 12 of the Headlease; or

(b) any failure by the U.S. Lessor to observe or perform any other covenant or warranty or obligation of the U.S. Lessor in this Collateral Assignment and continuance of such a failure to observe or perform for a period of thirty days after there has been given, by registered or certified mail, to the U.S. Lessor by the Secured Party, a written notice specifying such failure to so observe or perform and requiring it to be remedied; or

(c) if any representation or warranty made in writing by or on behalf of the U.S. Lessor herein or in the Headlease shall prove to have been false or incorrect in any material respect at the time as of which made and the condition which made such

representation or warranty incorrect, if remediable, shall continue unremedied for a period of thirty days after written notice thereof by the Secured Party; or

(d) if the U.S. Lessor shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due or shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent or shall file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file any answer admitting the material allegations of a petition filed against it in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of it or all or any substantial part of its properties, or if the U.S. Lessor or its directors or majority stockholders shall take any action looking to the dissolution or liquidation of such corporation; or

(e) if within 90 days after the commencement of any proceeding against the U.S. Lessor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed, or if, within 60 days after the appointment without the consent or acquiescence of such corporation of any trustee, receiver or liquidator of such corporation or of all or any substantial part of its properties such appointment shall not have been vacated or stayed, or if, within 60 days after the expiration of any such stay, such appointment shall not have been vacated.

4.3. Certain Rights. (a) Subject to the provisions of Section 4.3(b), if a Collateral Assignment Event of Default shall have occurred and be continuing, then and in every such case the Secured Party, as assignee hereunder of the Sublease and the Sublessee's Assignment or otherwise, may exercise any or all of the rights and powers and pursue any and all of the remedies pursuant to this Article IV and any and all of the remedies pursuant to Section 13 of the Sublease, and may take possession of all or any part of the Collateral and may exclude the U.S. Lessor, and all persons claiming under or through it wholly or partly therefrom, provided, however, that if there shall occur a Collateral Assignment Event of Default solely pursuant to Section 12(a) of the Sublease and if the U.S. Lessor shall have paid or

caused to be paid all Basic Sublease Rent within five days after notice from the Secured Party of the nonpayment thereof, the Secured Party shall, unless the U.S. Lessor (whether or not reimbursed by the Sublessee) shall theretofore have four times made payments to cure Sublease Events of Default under Section 12(a) of the Sublease or shall theretofore have two consecutive times made payments to cure Sublease Events of Default under Section 12(a) of the Sublease, waive such Collateral Assignment Event of Default and its consequences (but only for purposes of the Headlease and this Collateral Assignment and not the Sublease), and shall, if no other Collateral Assignment Event of Default shall have occurred and be continuing, be entitled to receive such payment upon receipt by the Secured Party; provided, further, that if there shall occur any Collateral Assignment Event of Default other than a Sublease Event of Default pursuant to Section 12(a) of the Sublease, the U.S. Lessor shall have the right, at its option, to cure such Collateral Assignment Event of Default, if curable (in the reasonable opinion of the Secured Party), within 10 days after the occurrence of such Collateral Assignment Event of Default, subject to the limitation that the aggregate amount expended (and not repaid by the Sublessee) to cure all such Collateral Assignment Events of Default shall not at any time exceed \$5,000,000. Notwithstanding anything to the contrary contained in the Sublease, the right of the U.S. Lessor to make payments to cure Sublease Events of Default shall be as set forth in this Section 4.3 including, without limitation, that any payment of Basic Sublease Rent by or for the account of the U.S. Lessor shall not cure a Sublease Event of Default except as otherwise permitted herein.

(b) The Secured Party shall not take any action pursuant to Section 4.3(a) by reason of a Sublease Event of Default arising as a result of: (i) the failure of the Sublessee to indemnify or make any payments to the U.S. Lessor pursuant to Sections 10.2 or 10.3 of the Agreement to Purchase and Lease or the Tax Indemnity Agreement, (ii) the failure for not more than 45 days of the Sublessee to pay any Headlease Stipulated Loss Value which has been certified to the Treasurer of The Commonwealth of Massachusetts under Sections 12 and 13 of Massachusetts General Laws Chapter 161A or (iii) failure of the Sublessee to pay over insurance proceeds payable to or for the benefit of the U.S. Lessor pursuant to Section 9.1 of the Sublease (each such Sublease Event of Default being referred to in this Section as a "Special Event of Default"), unless and until the U.S. Lessor shall deliver written notice to the Secured Party authorizing the Secured Party to act in accordance with the other provisions of this Collateral Assignment with respect to such Special Event of Default and, provided further, that any provision hereof to the contrary notwithstanding, the U.S.

Lessor may enforce its rights to reserve Excluded Payments and the Excepted Rights without the approval of the Secured Party.

(c) Notwithstanding anything to the contrary contained in this Article IV, after a Collateral Assignment Event of Default solely pursuant to a Sublease Event of Default shall have occurred and be continuing, the Secured Party may not declare this Collateral Assignment to be in default and exercise any remedies hereunder unless contemporaneously therewith the Secured Party exercises all appropriate rights and powers and pursues all appropriate remedies under Section 13 of the Sublease to terminate the Sublease, and does terminate the Sublease (it being expressly understood and agreed without limitation of the foregoing, that should the Secured Party be prevented, by law or court order, from exercising such remedies under the Sublease following the occurrence of any of the events described in Sections 12(g), (h) or (i) of the Sublease, the Secured Party shall not exercise any remedy provided in the Collateral Assignment against the U.S. Lessor in the absence of any Collateral Assignment Event of Default not resulting from a Sublease Event of Default).

4.4. Return of Collateral, etc. (a) Subject to the provisions of Sections 4.3(a) and 4.3(b), at the request of the Secured Party, the U.S. Lessor shall promptly execute and deliver to the Secured Party such instruments of title and other documents as the Secured Party reasonably may deem necessary or advisable to enable the Secured Party or an agent or representative designated by the Secured Party, at such time or times and place or places as the Secured Party may specify, to obtain possession of all or any part of the Collateral to whose possession the Secured Party shall at the time be entitled hereunder. If the U.S. Lessor shall for any reason fail to execute and deliver such instruments and documents after such request by the Secured Party, the Secured Party may (a) obtain a judgment conferring on the Secured Party the right to immediate possession and requiring the U.S. Lessor to deliver such instruments and documents to the Secured Party, to the entry of which judgment the U.S. Lessor hereby specifically consents, and (b) to the extent permitted by applicable law, pursue all or any part of such Collateral wherever it may be found and may enter any of the premises of the Sublessee wherever such Collateral may be or be supposed to be and search for such Collateral and take possession of and remove such Collateral. All expenses of obtaining such judgment or of pursuing, searching for and taking such property shall, until paid, be secured by the lien of this Collateral Assignment.

(b) Upon every such taking of possession, the Secured Party may, from time to time, at the expense of the Collateral, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Collateral, as it may deem proper. In each such case, the Secured Party shall have the right to maintain, use, operate, store, lease, control or manage the Collateral and to carry on the business and to exercise all rights and powers of the U.S. Lessor relating to the Collateral, as the Secured Party shall deem best, including the right to enter into any and all such agreements with respect to the maintenance, use, operation, storage, leasing, control or management of the Collateral or any part thereof as the Secured Party may determine; and the Secured Party shall be entitled to collect and receive all tolls, rents, revenues, issues, income, products and profits of the Collateral and every part thereof, without prejudice, however, to the right of the Secured Party under any provision of this Collateral Assignment to collect and receive all cash held by, or required to be deposited with, the Secured Party hereunder. Such tolls, rents, revenues, issues, income, products and profits shall be applied to pay the reasonable expenses of the use, operation, storage, leasing, control or management of the Collateral and of conducting the business thereof, and of all maintenance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Secured Party may be required or may so elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Collateral or any part thereof.

(c) If, after the Secured Party shall have taken possession of the Collateral as contemplated by this Section 4.4, the Secured Party shall not carry, obtain and maintain with insurers of recognized responsibility public liability and property damage insurance (exclusive of manufacturer's product liability insurance) with respect to the Equipment in the amounts, and of the types and coverages, customarily carried by similar commuter rail systems of comparable size as the Sublessee, the U.S. Lessor may at its own expense obtain and maintain such insurance covering the Secured Party as its interest may appear.

4.5. Remedies Cumulative. Each and every right, power and remedy herein specifically given to the Secured Party or otherwise in this Collateral Assignment shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Secured Party, and the exercise or the

beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the time or thereafter any other right, power or remedy. No delay or omission by the Secured Party in the exercise of any right, remedy or power or in the pursuance of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the U.S. Lessor or to be an acquiescence therein.

4.6. Discontinuance of Proceedings. In case the Secured Party shall have proceeded to enforce any right, power or remedy under this Collateral Assignment by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Secured Party, then and in every such case the U.S. Lessor, the Secured Party and the Sublessee shall be restored to their former positions and rights hereunder with respect to the Collateral, and all rights, remedies and powers of the Secured Party shall continue as if no such proceedings had been taken.

4.7. Waiver of Past Defaults. The Secured Party may waive any past default hereunder and its consequences, and upon any such waiver, such default shall cease to exist, and any Collateral Assignment Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Collateral Assignment; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

4.8. Replacement of Item of Equipment. In the event of the substitution of a replacement item of Equipment pursuant to Section 10 of the Headlease, all provisions of this Collateral Assignment relating to the item being replaced shall be applicable to such replacement item with the same force and effect as if such replacement item were the same item as the item of Equipment being replaced but for the Event of Loss with respect to the item being replaced.

4.9. No Segregation of Monies, etc. Any monies received by the Secured Party hereunder need not be segregated in any manner except to the extent required by law, and may be deposited under such general conditions as may be prescribed by law, and the Secured Party shall not be liable for any interest thereon, provided that any payments received or applied hereunder by the Secured Party shall be accounted for by the Secured Party so that any portion thereof paid or applied pursuant hereto shall be identifiable as to the source thereof.

ARTICLE V
Duties of the U.S. Lessor

5.1. Notice of Event of Default. In the event the U.S. Lessor shall have Actual Knowledge of a Collateral Assignment Event of Default, the U.S. Lessor shall give prompt written notice of such Collateral Assignment Event of Default to the Secured Party.

ARTICLE VI
Miscellaneous

6.1. Termination of Collateral Assignment. Upon termination of the Headlease and the performance and observance by the U.S. Lessor of all agreements covenants and provisions to be performed or observed by it thereunder, the Secured Party shall execute and deliver to or as directed in writing by the U.S. Lessor an appropriate instrument releasing the Collateral from the lien of this Collateral Assignment. This Collateral Assignment shall terminate and this Collateral Assignment shall be of no further force or effect upon the sale or other final disposition by the Secured Party of all property constituting part of the Collateral and the final application or distribution by the Secured Party of all monies or other property or proceeds constituting part of the Collateral in accordance with the terms of Article III hereof, provided that at such time the U.S. Lessor shall have fully complied with all of the terms of the Headlease.

6.2. Sale by Secured Party Binding. Any sale or other conveyance of the Collateral or any part thereof by the Secured Party made pursuant to the terms of this Collateral Assignment shall be effective to transfer or convey all right, title and interest of the Secured Party and the U.S. Lessor in and to the Collateral or such part thereof. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such sale or conveyance or as to the application of any sale or other proceeds with respect thereto by the Secured Party. In the event of any such sale, the U.S. Lessor shall execute any and all such bills of sale and other documents, and perform and do all other acts and things requested by the Secured Party in order to permit consummation of such sale and to effectuate the transfer or conveyance referred to in the first sentence of this Section 6.2.

6.3. Benefit of Collateral Assignment. Nothing in this Collateral Assignment, whether express or implied, shall be construed to give to any person other than the Secured Party and any assignee of the Secured Party any legal or equitable right,

remedy or claim under or in respect of this Collateral Assignment.

6.4. Notices. All notices and other communications under this Collateral Assignment shall be in English and in writing, and any such notice shall become effective when deposited in the mails, registered with proper postage for airmail prepaid, or, if in the form of a telegram, telex or telecopy, when received, addressed (a) if to the U.S. Lessor, at Four Embarcadero Center, Suite 1200, San Francisco, California 94111, Attention: Manager, Operations Department LEV, or to such other address as the U.S. Lessor shall from time to time designate in writing to the Secured Party and (b) if to the Secured Party, at Taunusanlage 12, D-6000 Frankfurt am Main 1, Federal Republic of Germany, or to such other address as the Secured Party shall from time to time designate in writing to the U.S. Lessor.

6.5. Severability. Any provision of this Collateral Assignment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

6.6. Successors and Assigns. The Secured Party may assign, in whole or in part, all of its rights, interests and benefits hereunder and in and to the Sublease, the Headlease and the Equipment, as provided herein or in the Agreement to Purchase and Lease. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the Secured Party and its successors and assigns and the U.S. Lessor and its successors and assigns, all as herein provided.

6.7. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

6.8. Governing Law. This Collateral Assignment shall in all respects be governed by, and construed in accordance with, the internal law of the Commonwealth including all matters of construction, validity and performance.

6.9. Counterparts. This Collateral Assignment may be executed in several counterparts, each of which is an original, but all of which together constitute one and the same instrument.

6.10. No Recourse. In no case whatsoever shall the U.S. Lessor be personally liable on, or for any loss in respect of, any of the representations, warranties, agreements or obligations of the U.S. Lessor hereunder as to all of which the parties hereto agree to look solely to the Equipment and the Collateral, except that the U.S. Lessor shall be personally liable to the extent specified in Sections 10.1(d) and 10.7 of the Agreement to Purchase and Lease.

IN WITNESS WHEREOF, the parties have caused this Collateral Assignment and Security Agreement to be duly executed by their respective officers or attorneys-in-fact thereunto duly authorized, as of the date first above written.

DB EXPORT-LEASING GmbH

By _____
Title:

SECURITY PACIFIC EQUIPMENT
LEASING, INC.

By _____
Title:

RLNCOLAT.SP

RESTATED SCHEDULE X

RESTATED SCHEDULE X

The following terms shall have the respective meanings set forth below:

"Acceptance Certificate" means an Acceptance Certificate substantially in the form of Exhibit A to the Headlease, delivered pursuant to Section 2.3 of the Headlease.

"Accounts Receivable Purchase Agreement" means the Accounts Receivable Purchase Agreement No. 1, dated June 25, 1988, between the Purchaser and the German Lessor, as such Accounts Receivable Purchase Agreement No. 1 may be amended, modified or supplemented in accordance with the terms thereof.

"Accounts Receivable Purchase Agreement No. 2" means the Accounts Receivable Purchase Agreement No. 2, dated June 25, 1988, between the Purchaser and the U.S. Lessor, as such Accounts Receivable Purchase Agreement No. 2 may be amended, modified or supplemented in accordance with the terms thereof.

"Actual Knowledge" means (a) with respect to the Sublessee, actual knowledge of its Chairman, General Manager, Treasurer-Controller, or Director of Railroad Operations, (b) with respect to the U.S. Lessor, actual knowledge of the President, any Vice President, Treasurer, Secretary and any Contract Administrator (whether or not any such title is preceded by any modifier such as Assistant) and (c) with respect to the German Lessor, actual knowledge of any General Manager. "Actual Knowledge" shall be deemed to exist following receipt of written notice of a fact, event, condition or other circumstance by any such Person.

"Additional Investment" has the meaning specified in Section 8.1 of the Sublease.

"Additions" has the meaning specified in Article 6 of the Sublease.

"Affiliate", of any Person, means any other Person controlling, controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"After-tax Basis," or "after-tax basis," or similar term, means, when used with respect to the payment of any amount

and a requirement or contemplation that a gross amount paid shall produce a net amount received and retained by the recipient after payment or proper provision for Taxes and any other taxes imposed on the disbursement or receipt of such gross amount, that gross amount which, after deduction of all Taxes and any other taxes imposed by any jurisdiction or other taxing authority upon or measured by, or otherwise resulting from, the disbursement or receipt of such gross amount or any part thereof, will provide such net amount to the recipient, free of all Taxes and taxes.

"Agreement to Purchase and Lease" means the Agreement to Purchase and Lease, dated as of June 25, 1988, among the Sublessee, the U.S. Lessor, the German Lessor, the Purchaser, the Indenture Trustee and the Original Noteholder.

"Applicable Law" means all applicable laws, treaties, judgments, decrees, injunctions, writs and other orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority and, with respect to the Equipment shall include the rules in effect from time to time of the American Association of Railroads.

"Authorized Investments" means (a) readily marketable obligations of, or fully and unconditionally guaranteed (as to both principal and interest) by, the United States of America and having a maturity not in excess of one Business Day from the date of acquisition thereof; (b) certificates of deposit (having a maturity not in excess of 30 days from the date of acquisition thereof) evidencing direct obligations of any commercial bank or trust company organized in the United States of America and having capital, surplus and undivided profits of at least \$1,000,000,000; and (c) so-called money market funds, banker's acceptances or similar obligations (having a maturity not in excess of 30 days) issued by the Purchaser.

"Base Rate" means the interest rate per annum announced and made effective from time to time by Security Pacific National Bank, at its principal office in Los Angeles, California, as the prime rate or, as the case may be, the base, reference or other similar rate then designated by it for general commercial lending reference purposes, it being understood that such rate is a reference rate, not necessarily the lowest, which serves as the basis upon which effective rates of interest are calculated for obligations making reference thereto.

"Basic Headlease Rent" means the rent payable for the Equipment pursuant to and as defined in Section 8.1 of the Headlease.

"Basic Sublease Rent" means the rent payable for the Equipment with respect to the Basic Sublease Term pursuant to and as defined in Section 8.1 of the Sublease, subject to adjustments as provided in Sections 8.1 and 8.6 of the Sublease and in the Tax Indemnity Agreement.

"Basic Sublease Term" means the period beginning on January 30, 1988 and ending December 30, 2012 or such earlier date as the Sublease shall be terminated as provided therein, including any termination of the Sublease pursuant to Section 2.7 thereof.

"Board" means the Board of Directors of the Sublessee.

"Board Resolution" means a resolution of the Board certified by the Secretary or Assistant Secretary of the Sublessee to have been duly adopted by the Board and to be in full force and effect on the date of such certification.

"Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banking institutions in the City of Boston, Massachusetts, the City of San Francisco, California, or The City of New York, New York or (with reference to any payment to be made to the German Lessor) the City of Frankfurt am Main, Federal Republic of Germany, are authorized by law to be closed. Any reference herein to "days" (unless Business Days are specified) shall mean calendar days.

"CFA Amendment" means the Consent and Agreement of the Commonwealth (agreed to by the Sublessee), dated the Effective Date, amending the Contract for Financial Assistance.

"Code" means the Internal Revenue Code of 1986, as from time to time amended, and any redesignated or successor provisions, except that references to Section 168 and Section 103 of the Code shall refer to such provisions of the Internal Revenue Code of 1954 as amended by the Tax Equity and Fiscal Responsibility Act of 1982 as continue to apply to the determination of certain of the U.S. Lessor's Tax Benefits as a consequence of the provisions of Section 31(g)(5) of the Deficit Reduction Act of 1984 and Section 204(a)(4) of the Tax Reform Act of 1986.

"Collateral" has the meaning specified in the granting clause of the Collateral Assignment.

"Collateral Assignment Default" means an event or condition which, with notice or lapse of time or both, would constitute a Collateral Assignment Event of Default.

"Collateral Assignment Event of Default" has the meaning specified in Section 4.2 of the Collateral Assignment.

"Collateral Assignment" means the Collateral Assignment and Security Agreement, dated as of June 25, 1988, between the U.S. Lessor and the German Lessor, as such Collateral Assignment and Security Agreement may from time to time be supplemented, amended or modified in accordance with the terms thereof.

"Commitment", of each Participant, means the amount set forth opposite such Participant's name in Schedule 1 to the Participation Agreement in the column relating to "Commitments".

"Commonwealth" means The Commonwealth of Massachusetts.

"Consent and Agreement of Lessee" means the Consent and Agreement of the Lessee, dated as of the Delivery Date, between the U.S. Lessor and the Sublessee, as such Consent and Agreement of Lessee has been amended and restated as of the Effective Date and may from time to time be further amended, modified or supplemented in accordance with the terms thereof.

"Contract Assistance Provisions" has the meaning specified in Section 8.7 of the Sublease.

"Contract for Financial Assistance" means an agreement, dated December 30, 1987 between the Sublessee and the Commonwealth, with respect to the Participation Agreement and the transactions contemplated thereby, as such agreement may from time to time be supplemented, amended or modified in accordance with its terms.

"Cost Recovery Deductions" has the meaning specified in Section 2 of the Tax Indemnity Agreement.

"Cross Border Transaction" means the transfer of the Equipment by the U.S. Lessor to the German Lessor, the lease of the Equipment by the German Lessor to the U.S. Lessor under the Headlease and the related transactions contemplated in the Agreement to Purchase and Lease.

"Cross Border Documents" has the meaning specified in Section 4(c) of the Agreement to Purchase and Lease.

"DBAG Letter Agreement" means the letter agreement, dated June 30, 1988, from Deutsche Bank A.G. in favor of the Sublessee and the U.S. Lessor relating to the Profit Transfer Agreement between Deutsche Bank A.G. and the German Lessor.

"DCC Accounts Receivable" has the meaning specified in Section 2 of the Accounts Receivable Purchase Agreement.

"Delivery Date" means December 31, 1987.

"Designated Payment Date" has the meaning specified in Sections 13(d) of the Sublease and of the Headlease.

"Destroyed Equipment" has the meaning specified in Sections 10.1(b) of the Sublease and of the Headlease.

"Dollars" or "\$" means lawful currency of the United States of America.

"Effective Date" means June 30, 1988.

"Equipment" means the 34 Messerschmitt-Bolkow-Blohm commuter rail coaches manufactured by the Manufacturer and sold to the Sublessee pursuant to the Purchase Agreement, sold by the Sublessee to the U.S. Lessor and leased by the U.S. Lessor to the Sublessee under the Lease and Lease Supplement No. 1 pursuant to the Participation Agreement and to be transferred by the U.S. Lessor to the German Lessor and then leased by the German Lessor to the U.S. Lessor pursuant to the Headlease, the Sublessee's and Manufacturer's serial numbers of such commuter rail coaches being specified in Lease Supplement No. 1, together with Parts; and any commuter coach(es), parts or other items of Equipment which may from time to time be substituted for any commuter rail coach(es) or other items of Equipment pursuant to Sections 10.1(b) of the Sublease and the Headlease. An "item of Equipment" means any one or more such commuter rail coaches or Parts, as the context may require.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Event of Loss", with respect to any item of Equipment, means any of the following events with respect to such item of Equipment: (a) the loss of such item of Equipment or of the use thereof due to the destruction of, or damage beyond repair to such item of Equipment which (in the good faith and reasonable opinion of the Sublessee) renders it permanently unfit for normal use by the Sublessee for any reason whatsoever, such determination to be made promptly after the occurrence of such event and to be evidenced by an Officer's Certificate of the Sublessee delivered to the U.S. Lessor, the German Lessor and the Purchaser; (b) the loss of the use for 180 consecutive days or more of such item of Equipment due to wear or damage which in the good faith and reasonable opinion of the Sublessee can and will be repaired; (c) any damage to such item of Equipment which

results in an insurance settlement with respect to such item of Equipment on the basis of a total loss or a constructive or compromised total loss; (d) the requisition of title to or the loss of title to such item of Equipment; (e) the confiscation, condemnation or seizure of, or the requisition for use of, such item of Equipment which shall have resulted in the loss of possession of such item of Equipment for 180 consecutive days or more; or (f) the theft or disappearance of such item of Equipment which shall have resulted in the loss of possession of such item of Equipment by the Sublessee for 60 consecutive days or more.

"Excepted Rights" means the non-exclusive rights of the U.S. Lessor to obtain relief and recovery from and to pursue and enforce against the Sublessee the remedies enumerated in clauses (2) and (3) of Article 13(e) of the Sublease, at law, in equity and/or in bankruptcy or any insolvency proceeding, including without limitation, mandamus proceedings, together with any action in the nature of declaratory relief to construe the terms of the Operative Documents and the Cross Border Documents as they affect the relative rights of the U.S. Lessor and Sublessee only and/or any laws or statutes with respect to the Overall Transaction and the Cross Border Transaction as they affect the relative rights of the U.S. Lessor and the Sublessee only with respect to the payment of damages, costs and indemnities due the U.S. Lessor under the Sublease, the Agreement to Purchase and Lease, including without limitation to Sections 10.2 and 10.3 thereof, the VAT Agreement, and/or the Tax Indemnity Agreement, and to require the Sublessee specifically to perform all of its obligations under the Operative Documents and the Cross Border Documents. Notwithstanding the foregoing, Excepted Rights shall not be deemed to preclude the simultaneous exercise of such rights by the German Lessor against the Sublessee, and shall not be exercisable by the U.S. Lessor in a manner inconsistent with the rights of the German Lessor to pursue and enforce its rights as the full assignee of the Sublease pursuant to the terms of the Collateral Assignment.

"Excluded German Taxes" means any taxes imposed by the Federal Republic of Germany on any payment of Headlease Rent or Sublease Rent solely by reason of the Federal Republic of Germany treating such payment as having been made to the Purchaser by or on behalf of the German Lessor.

"Excluded Payments" means (a) indemnity payments (i) paid or payable by the Sublessee to or on behalf of the U.S. Lessor as Sublease Rent (specifically including any Sublease Rent or other payment required to be paid by the Sublessee to the U.S. Lessor pursuant to Section 10.2 or 10.3 of the Agreement to Purchase and Lease and any amounts required to be paid by the Sublessee to the U.S. Lessor pursuant to the VAT Agreement and

the Tax Indemnity Agreement) or (ii) paid or payable by the U.S. Lessor or the Sublessee to the German Lessor as Headlease Rent under the Headlease or under the Collateral Assignment or the Agreement to Purchase and Lease, (b) adjustments to Basic Sublease Rent and Sublease Stipulated Loss Value as a result of an Additional Investment pursuant to Section 8.1 of the Sublease to reflect certain Transaction Costs and (c) amounts payable pursuant to Section 3(d)(iv) of the Purchase Agreement Assignment.

"Execution Date" means December 30, 1987.

"Funding Date" means the Delivery Date.

"German Lessor" means DB Export-Leasing GmbH, a German company, and its successors and permitted assigns.

"German Lessor Disposition" means the consummation of the transaction contemplated in Article 16, clause Third of Section 13.2 or paragraph (a) of Section 10.1 (as to all of the Equipment) of the Headlease or Section 2.2 of the Collateral Assignment.

"German Lessor Security Agreement" means the Security Agreement, dated as of the Effective Date, between the German Lessor, as debtor, and the U.S. Lessor, as secured party, as such Security Agreement may be amended, modified or supplemented in accordance with the terms thereof.

"German Lessor's Purchase Price" means with respect to any item of Equipment, the amount specified as the cost of such item in Annex 1 attached to the Acceptance Certificate.

"Headlease" means the Lease Agreement, dated as of June 25, 1988 between the German Lessor, as lessor, and the U.S. Lessor, as Lessee, as such Lease Agreement may be amended, modified or supplemented in accordance with the terms thereof.

"Headlease Default" means an event or condition which, with the giving of notice or lapse of time or both, would constitute a Headlease Event of Default.

"Headlease Event of Default" has the meaning specified in Section 12 of the Headlease.

"Headlease Rent" means Basic Headlease Rent and Supplemental Headlease Rent.

"Headlease Stipulated Loss Value" as of any Headlease Stipulated Loss Value Date during the Headlease Term, means, with respect to any item of Equipment, an amount determined by multiplying German Lessor's Purchase Price thereof by the percentage specified in Exhibit B to the Headlease opposite the Headlease Stipulated Loss Value Date with respect to which the amount is determined. Anything contained in the Headlease (including Exhibit B thereto) to the contrary notwithstanding, the Headlease Stipulated Loss Value for the Equipment as of each such date shall in no event be less than an amount at least sufficient to pay in full the DCC Accounts Receivable receivable by the Purchaser on such date.

"Headlease Stipulated Loss Value Date" means each date set forth on Exhibit B to the Headlease.

"Headlease Term" means, with respect to the Headlease, the term for which any item of Equipment is leased thereunder.

"Indemnified Persons" means the U.S. Lessor, the German Lessor, the Purchaser, the Collateral and their respective successors, assigns, agents, partners and the servants and employees of each thereof.

"Indenture" means the Trust Indenture and Security Agreement, dated as of the Execution Date, between the U.S. Lessor and the Indenture Trustee, as amended or supplemented by Trust Indenture Supplement No. 1, dated the Delivery Date, between the U.S. Lessor and the Indenture Trustee.

"Indenture Estate" means the property granted to the Indenture Trustee pursuant to the Granting Clause of the Indenture (but excluding from the Indenture Estate all Excluded Payments and Excepted Rights).

"Indenture Trustee" means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity (except as set forth in the Participation Agreement) but solely as indenture trustee under the Indenture, and, to the extent permitted by the Indenture, its successors and assigns.

"Interim Rent" means the Rent payable pursuant to Section 8.1(a)(1) of the Lease.

"Interim Term" means, with reference to the Lease, the period commencing on the Delivery Date and expiring on January 29, 1988.

"Interest Deductions" has the meaning specified in Section 2 of the Tax Indemnity Agreement.

"Investment Grade" means, as to the Sublessee's long-term, unsecured tax-exempt debt, those obligations which are rated Baa or higher by Moody's or BBB or higher by S&P. For purposes of this definition, "Moody's" means Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns; and S&P means Standard & Poor's Corporation, a New York corporation, its successors and assigns. If either Moody's or S&P shall for any reason no longer perform the functions of a securities rating agency, "Moody's" or "S&P", as the case may be, shall be deemed to refer to any other nationally recognized rating agency designated by the Sublessee and satisfactory to the U.S. Lessor and in such event the rating by such agency shall be equivalent to Baa or higher by Moody's or BBB or higher by S&P.

"Lease" means the Lease Agreement, dated as of December 30, 1987, between the U.S. Lessor, as lessor, and the Sublessee, as lessee, as amended and supplemented by Lease Supplement No. 1.

"Lease Supplement No. 1" means Lease Supplement No. 1, dated December 31, 1987, between the U.S. Lessor and the Sublessee, and identifying the items of Equipment subject to the Lease.

"Lessor Lien" or "Lessor's Liens" means any Lien or disposition of title which results from a claim against or act of the U.S. Lessor or the German Lessor that is not a claim against or act of the Sublessee and either (a) results from claims against the U.S. Lessor or the German Lessor not related to the Overall Transaction or the Cross Border Transaction, (b) results from an affirmative act of the U.S. Lessor or the German Lessor which is neither required or permitted to be taken by the U.S. Lessor or the German Lessor, as the case may be, pursuant to a provision of any Operative Document or any Cross Border Document nor consented to by the Sublessee nor taken as a result of the occurrence and continuance of a Sublease Event of Default as permitted under the Sublease or a Headlease Event of Default as permitted under the Headlease, or (c) results from nonpayment by the U.S. Lessor or the German Lessor of any taxes imposed on such Person or the consolidated group of taxpayers of which such Person is a part which the Sublessee is not required to indemnify against pursuant to any of the Operative Documents or the Cross Border Documents or is so required and has made such indemnification payment.

"Lessor's Cost", as of any date means, with respect to any item of Equipment, the Lessor's Purchase Price thereof

plus Transaction Costs, as such aggregate amount may be adjusted to reflect each Additional Investment or Reduced Investment pursuant to Section 8.1 of the Sublease.

"Lessor's Purchase Price" means, with respect to any item of Equipment, the amount specified as such as the cost of such item in Annex 1 attached to Lease Supplement No. 1, being the sum of (a) an amount equal to the aggregate payments for such item of Equipment made to or on behalf of the Sublessee by the U.S. Lessor pursuant to the Participation Agreement on or prior to the Delivery Date thereof, as specified in invoices and/or bills of sale, and (b) any taxes applicable to the purchase of such item of Equipment by the U.S. Lessor which must be capitalized for Federal tax purposes, including, without limitation, sales, use, excise or similar taxes.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, security interest or lease in the nature thereof (including any conditional sale agreement, equipment trust agreement or other title retention agreement).

"Majority Noteholders", as of a particular date of determination, means the Noteholders (other than the U.S. Lessor, if a Noteholder) holding more than 50% in aggregate unpaid principal amount of all Notes, if any, outstanding as of such date. If one or more but less than all of the Notes are owned or controlled by the U.S. Lessor (or an Affiliate thereof), then the other Noteholders who are not the U.S. Lessor (or Affiliates thereof) shall have sole power to vote such Notes and to take other similar action with respect thereto (such power to be divided among such other Noteholders based on the respective unpaid aggregate principal amount of Notes held by each of them).

"Manufacturer" means Messerschmitt-Bolkow-Blohm GmbH, a German company, and its successors and assigns.

"Manufacturer's Consent" means the Consent and Agreement, dated as of June 27, 1988, by the Manufacturer to the assignment by the U.S. Lessor to the German Lessor pursuant to the Collateral Assignment, by the German Lessor to the Purchaser pursuant to the Accounts Receivable Purchase Agreement and by the ~~Purchaser~~ to the U.S. Lessor pursuant to Accounts Receivable Purchase Agreement No. 2 of certain of the Sublessee's right, title and interest in, to and under the Purchase Agreement with respect to the Equipment.

"Net Economic Return" has the meaning specified in Section 1 of the Tax Indemnity Agreement.

"Notes" means the Series A Notes and the Series B Notes.

"Noteholders" means the Original Noteholder (only so long as such Person is the registered holder of a Note) and each other holder from time to time of a Note.

"Obsolete Parts" has the meaning specified in Articles 6 of the Headlease and of the Sublease.

"Officer's Certificate" means (a) with respect to the Sublessee, a certificate executed on behalf of the Sublessee by its duly authorized Chairman, General Manager, Treasurer, Controller or General Counsel (or by any duly authorized person holding any such office in an "Acting" capacity), signing alone; (b) with respect to the U.S. Lessor, a certificate executed on behalf of the U.S. Lessor by the duly authorized President or any Vice President, Treasurer or Secretary or Contract Administrator (whether or not any such title is preceded by any modifier such as Assistant), signing alone; (c) with respect to the German Lessor, a certificate executed on behalf of the German Lessor by any two of its duly authorized General Managers; and (d) with respect to the Purchaser, a certificate executed on behalf of the Purchaser by the duly authorized President or any Vice President, Treasurer or Secretary (whether or not any such title is preceded by any modifier such as Executive, Senior or Assistant).

"Operative Documents" means the Participation Agreement, the Indenture, the Lease, the Contract for Financial Assistance, the Sublessee's Assignment, the Consent and Agreement of Sublessee, the Tax Indemnity Agreement, the Purchase Agreement and the Purchase Agreement Assignment.

"Original Noteholder" means New England Merchants Funding Corporation, a Massachusetts corporation.

"Original Noteholder Note" means the Series A Variable Rate, Registered, Non-Recourse Secured Note due January 30, 2010 in the principal amount of \$22,938,858.49 issued by the U.S. Lessor to the Original Noteholder.

"Original Participation" of a Participant in the Equipment, means the amount paid by such Participant pursuant to Section 2 of the Participation Agreement as such Participant's participation in the payment of the Lessor's Purchase Price of the Equipment.

"Overall Transaction" means the manufacture, purchase, ownership, financing, leasing, operation, maintenance, storage, return and disposition of the Equipment as described and contemplated by the Operative Documents.

"Overdue Interest Rate" means the rate per annum equal to the sum of one and one-half (1-1/2) percentage points plus the higher of (i) the Base Rate plus 1.5% or (ii) 10.5% per annum.

"Participants" means the U.S. Lessor and the Original Noteholder.

"Participation Agreement" means the Participation Agreement, dated as of the Execution Date, among the Sublessee, the U.S. Lessor, the Original Noteholder and the Indenture Trustee.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature so long as the same shall be incorporated or installed in or attached to any item of Equipment or so long as title thereto shall remain vested in the German Lessor in accordance with Section 5.3 or Article 6 of the Headlease after removal from such item of Equipment; provided, that in no event shall any appliance, part, instrument, appurtenance, accessory, furnishing or other equipment that does not become a portion of the Equipment, in accordance with Section 5.3 or Article 6 of the Headlease, constitute a Part.

"Permitted Liens" means (a) the Lien of the Collateral Assignment, (b) the subordinate rights of others under agreements or arrangements to the extent expressly permitted by the terms of Sections 4.2 of the Headlease and of the Sublease and Section 4.3(a) of the Collateral Assignment, (c) Lessor Liens, (d) Liens for taxes, assessments, charges or other governmental levies either not yet due or being contested in good faith by appropriate proceedings promptly initiated and diligently prosecuted but only so long as (i) such proceedings do not involve any material danger of the sale, forfeiture or loss of any item of Equipment, or any interest therein, and (ii) adequate reserves are maintained in accordance with applicable accounting principles with respect to such Liens, (e) materialmen's, mechanics', carriers', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is not overdue for a period in excess of 30 days or is being contested in good faith by appropriate proceedings promptly initiated and diligently prosecuted but only so long as (i) such proceedings do not involve any danger of the sale, forfeiture or loss of any item of

Equipment, or any interest therein and (ii) adequate reserves are maintained in accordance with applicable accounting principles with respect to such Liens, and (f) Liens arising out of judgments or awards against the Sublessee with respect to which an appeal or proceeding for review is being diligently prosecuted in good faith and with respect to which a stay of execution shall have been secured or an appeal bond shall have been filed pending such appeal or proceeding for review but only so long as (i) such proceedings do not involve any danger of the sale, forfeiture or loss of any item of Equipment, or any interest therein, and (ii) adequate reserves are maintained in accordance with applicable accounting principles with respect to such judgments or awards.

"Person" means an individual, a corporation, a partnership, an unincorporated organization, an association, a joint stock company, a joint venture, a trust, an estate, a government or any agency or political subdivision thereof or any other entity.

"Prime Rate" means the interest rate per annum announced and made effective from time to time by Security Pacific National Bank, at its principal office in Los Angeles, California, as the prime rate or, as the case may be, the base, reference or other similar rate then designated by it for general commercial lending reference purposes, it being understood that such rate is a reference rate, not necessarily the lowest, which serves as the basis upon which effective rates of interest are calculated for obligations making reference thereto.

"Purchase Agreement" means the Agreement, dated August 7, 1985, between the Manufacturer and the Sublessee, as amended, modified and supplemented on or prior to the Delivery Date, providing, among other things, for the manufacture by the Manufacturer and sale to the Sublessee of the Equipment, as such Agreement may thereafter from time to time be amended, modified or supplemented in accordance with the applicable provisions thereof and of the Purchase Agreement Assignment.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment, dated as of the Delivery Date, between the Sublessee and the U.S. Lessor (together, prior to the Effective Date, with the Consent and Agreement of the Manufacturer attached thereto and, after the Effective Date, with the Manufacturer's Consent), assigning to the U.S. Lessor certain of the Sublessee's right, title, and interest in, to and under the Purchase Agreement with respect to the Equipment, as such Purchase Agreement Assignment may from time to time be supplemented, amended or modified to the extent permitted by and in accordance with the terms thereof and of the Agreement to Purchase and Lease and the Collateral Assignment.

"Purchaser" means Deutsche Credit Corporation, a Delaware corporation, and its successors and assigns.

"Reduced Investment" has the meaning specified in Section 8.1 of the Sublease.

"Regulations" means the Treasury Regulations, as amended, promulgated under the Code or other Federal tax statutes (as referred to in clause (i) of the definition of "Tax Laws" in this Schedule X) by the Treasury Department of the United States of America.

"Renewal Rent" with respect to the first, three-year Renewal Term provided for in section 2.5 of the Sublease, means an amount equal to the lesser of (i) 50% of the average Basic Rent over the Basic Term of the Lease and (ii) the fair market rental value of the Renewal Equipment determined in accordance with the Sublease. "Renewal Rent" with respect to the second, seven-year Renewal Term provided for in Section 2.5 of the Sublease means the fair market rental value of the Renewal Equipment.

"Renewal Term" means, with respect to the Sublease, the three-year renewal term provided for in Section 2.5 of the Sublease beginning on December 31, 2012, and ending on December 30, 2015 and, if applicable, the seven-year renewal term provided for in Section 2.5 of the Sublease beginning on December 31, 2015 and ending on December 30, 2022.

"Rent Payment Date" means June 30, 1988, and each December 30 and June 30 thereafter, to and including the day after the last date included within, in the case of the Headlease, the Headlease Term and, in the case of the Sublease, the Sublease Term.

"Restated Consent and Agreement of the Lessee" means the agreement, dated the Effective Date, between the U.S. Lessor and the Sublessee, amending and restating the Consent and Agreement of the Lessee.

"Restated Sublessee's Assignment" means the agreement, dated the Effective Date, between the U.S. Lessor and the Sublessee, amending and restating the Lessee's Assignment.

"Satisfaction of Mortgage" means the Satisfaction of Mortgage, dated the Effective Date, executed by the Indenture Trustee evidencing the final discharge and satisfaction of the Indenture.

"Series A Notes" means the Series A Notes, each to be in substantially the form therefor set forth in Section 2.01(a) of the Indenture, issued by the U.S. Lessor pursuant to Section 2.02 of the Indenture to the Original Noteholder in the principal amount, bearing interest at the rates and payable as to principal and interest as provided in said Section 2.02, and secured as provided in the Granting Clause of the Indenture, and shall include any Series A Notes issued in exchange therefor or in replacement thereof pursuant to Sections 2.07 or 2.08 of the Indenture.

"Series B Notes" means the Series B Notes, each to be in substantially the form therefor set forth in Section 2.01(b) of the Indenture, issued by the U.S. Lessor pursuant to Section 2.13 of the Indenture in the principal amounts, bearing interest at the rates and payable as to principal and interest as provided in said Section 2.13, and secured as provided in the Granting Clause of the Indenture, and shall include any Series B Notes issued in exchange therefor or in replacement thereof pursuant to Sections 2.07 or 2.08 of the Indenture.

"SP Accounts Receivable" has the meaning specified in Section 2 of the Accounts Receivable Purchase Agreement No. 2.

"Special Event of Default" has the meaning set forth in Section 4.02 of the Indenture.

"Sublease" means the Lease, as amended and restated as of June 25, 1988, as the Lease (as so amended and restated) may from time to time be further amended, supplemented or modified in accordance with the terms thereof.

"Sublease Default" means an event or condition which, with the giving of notice or lapse of time or both, would constitute a Sublease Event of Default.

"Sublease Events of Default" has the meaning specified in Article 12 of the Sublease.

"Sublease Rent" means Interim Rent, Basic Sublease Rent, Renewal Rent and Supplemental Sublease Rent.

"Sublease Stipulated Loss Value" as of any Sublease Stipulated Loss Value Date during the Basic Sublease Term, means, with respect to any item of Equipment, an amount determined by multiplying Lessor's Purchase Price thereof by the percentage specified in Exhibit B to the Sublease opposite the Sublease Stipulated Loss Value Date with respect to which the amount is determined, subject to adjustment as provided in Sections 8.1 and 8.5 of the Sublease. As of any Sublease Stipulated Loss Value

Date during the first, three-year Renewal Term the Sublease Stipulated Loss Value shall be an amount equal to the greater of (i) the then fair market sales value of the Equipment or (ii) 20% of the Lessor's Purchase Price thereof. The Sublease Stipulated Loss Value at June 30, 2016 shall be equal to the then fair market sales value of the Equipment, and as of each subsequent Sublease Stipulated Loss Value Date during the second, seven-year Renewal Term shall be equal to an amount determined (1) by estimating at December 30, 2015 the fair market sales value of the Equipment at December 30, 2022 and (2) equitably and ratably reducing at each such Sublease Stipulated Loss Value Date the amount of the fair market sales value at June 30, 2016 to such fair market sales value at December 30, 2022. Anything contained in the Sublease (including Exhibit B thereto) to the contrary notwithstanding, the Sublease Stipulated Loss Value for the Equipment as of each such date shall in no event be less than an amount at least sufficient to pay in full the aggregate unpaid principal amount of the Headlease Stipulated Loss Value due as of such date.

"Sublease Stipulated Loss Value Date" means (i) for the Basic Sublease Term each date set forth on Exhibit B to the Sublease, (ii) for the first Renewal Term, June 30, 2013 and each December 30 and June 30 thereafter to and including December 30, 2015, and (iii) for the second Renewal Term, June 30, 2016 and each December 30 and June 30 thereafter to and including December 30, 2022.

"Sublease Term" means, with respect to the Sublease, the term, including the Interim Term and any Renewal Term, if any, for which any item of the Equipment is leased thereunder.

"Sublessee" means Massachusetts Bay Transportation Authority, a body politic and corporate and a political subdivision of the Commonwealth, and its successors and, to the extent permitted by the Lease, assigns.

"Sublessee's Assignment" means the Lessee's Assignment, dated as of the Delivery Date, between the U.S. Lessor and the Sublessee, as such Lessee's Assignment has been or will be amended and restated as of the Effective Date may from time to time be further amended, modified or supplemented in accordance with the terms thereof.

"Substitute Equipment" has the meaning set forth in Section 10.2 of the Sublease.

"Supplemental Headlease Rent" means any and all amounts, liabilities and obligations (other than Basic Headlease

Rent) which the U.S. Lessor assumes or agrees to pay to or as directed by the German Lessor and the Purchaser under any of the Cross Border Documents, including, without limitation, Headlease Stipulated Loss Value and interest (including any payments at the Overdue Interest Rate) and payments pursuant to Accounts Receivable Purchase Agreement No. 2.

"Supplemental Sublease Rent" means any and all amounts, liabilities and obligations (other than Interim Rent, Basic Sublease Rent and Renewal Rent) which the Sublessee assumes or agrees to pay to or as directed by the U.S. Lessor, the German Lessor and the Purchaser under any of the Operative Documents or the Cross Border Documents, including, without limitation, Sublease Stipulated Loss Value and interest (including any payments at the Overdue Interest Rate) and indemnity payments, including, without limitation, any such payments pursuant to Section 10.2 or 10.3 of the Agreement to Purchase and Lease, the VAT Agreement, and the Tax Indemnity Agreement.

"Supplemental Tax Indemnity Agreement" means the Supplemental Tax Indemnity Agreement, dated as of the Effective Date, between the Sublessee and the U.S. Lessor.

"Tax" means any and all fees (including, without limitation, documentation, license, recording, filing and registration fees), taxes (including, without limitation, income, franchise, gross receipts, value added, turnover, sales, use, property (tangible and intangible) and stamp taxes), levies, assessments, imposts, duties, charges or withholdings of any nature whatsoever, as now or hereafter existing, imposed by any jurisdiction or taxing authority including, without limitation, the United States of America, the Commonwealth, and the Federal Republic of Germany and any political subdivision or taxing authority thereof at any time existing, together with any and all penalties, fines, additions to tax and interest thereon.

"Tax Assumptions" means those tax assumptions set forth in Section 2 of the Tax Indemnity Agreement.

"Tax Benefits" has the meaning specified in Section 1 of the Tax Indemnity Agreement.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement, dated as of the Execution Date, between the Sublessee and the U.S. Lessor, as amended and supplemented by the Supplemental Tax Indemnity Agreement, as such Tax Indemnity Agreement may from time to time be further supplemented, amended or modified in accordance with the terms thereof.

"Tax Laws" means, with reference to any date or any period, (i) all Federal tax statutes, including, without limitation, (A) the Code, and (B) all other Federal tax statutes, such as but not limited to Revenue Acts and also including any Federal tax provisions included in any Public Law or other Federal statute, that are in force and effect with respect to such date or period; and (ii) all rules and regulations, including, without limitation, Treasury Regulations and Temporary Regulations, whether legislative regulations, statutorily authorized implementing regulations, interpretive rules and regulations, and procedural rules and regulations, that are at any time promulgated and in force and effect with respect to such date or period under a Federal tax statute that is in force and effect and applicable to such date or period, and includes, without limitation, revenue rulings or similar authority that may be cited as precedent.

"Transaction Costs" means all of the reasonable costs and expenses incurred by the Indenture Trustee, the U.S. Lessor or the Original Noteholder in connection with the negotiation, preparation, printing, execution and delivery of the Operative Documents, the Notes and the Cross Border Documents and in connection with the transactions contemplated thereby, all of which shall be evidenced by appropriate bills or invoices, including, without limitation:

(i) the reasonable fees, expenses and disbursements of (A) Messrs. Ropes & Gray, special counsel for the U.S. Lessor, (B) Messrs. Csaplar & Bok, special counsel for the Original Noteholders, and (C) Messrs. Richards, Layton & Finger, special counsel for the Indenture Trustee;

(ii) the initial fees and expenses and disbursements of the Indenture Trustee;

(iii) document production costs in connection with the Operative Documents and the Cross Border Documents;

(iv) the costs of the appraisals referred to in Section 5(n) of the Participation Agreement and Section 4(1) of the Agreement to Purchase and Lease;

(v) the fees, expenses and disbursements of an appraiser/consultant engaged by the U.S. Lessor to review the Operative Documents;

(vi) the fees of Xitech Inc., a Delaware corporation as invoiced on March 21, 1988; and

(vii) computer and data processing charges and other out-of-pocket expenses and costs relating to the Cross Border Transaction.

"Transfer" means the transfer of all right, title and interest of the U.S. Lessor or the German Lessor in the property being transferred, free and clear, in the case of a Transfer by the U.S. Lessor, of the Lien of the Collateral Assignment (if the German Lessor shall be required to release the Lien of the Collateral Assignment pursuant to the terms thereof) or, in the case of a Transfer by the German Lessor, of the Lien of the Accounts Receivable Purchase Agreement (if the Purchaser shall be required to release the Lien of the Accounts Receivable Purchase Agreement pursuant to the terms thereof) and of any Lessor Liens attributable to it, but otherwise without recourse, representation or warranty whatsoever, express or implied, except as to the nonexistence of any Lessor Liens attributable to it, which warranty shall be repeated at the time of such transfer and shall survive such transfer.

"Trust Indenture Supplement" means a supplement to the Indenture, in substantially the form of Exhibit A to the Indenture, that, pursuant to the Granting Clause of the Indenture, shall create a first mortgage and security interest on the items of Equipment referred to therein and assign and pledge the related Lease Supplement executed and delivered pursuant to the Lease to the Indenture Trustee as part of the Indenture Estate.

"U.S. Lessor" means Security Pacific Equipment Leasing, Inc., a Delaware corporation, its successors and permitted assigns.

"U.S. Lessor's Bill of Sale" means the Bill of Sale, dated the Effective Date, from the U.S. Lessor to the German Lessor.

"VAT Agreement" means the VAT Agreement, dated as of June 30, 1988, among the Sublessee, the U.S. Lessor, the German Lessor and the Purchaser relating to German value added tax, as such VAT Agreement may from time to time be amended, modified or supplemented in accordance with the terms thereof.

"Warranty Bill of Sale" means the Warranty Bill of Sale, dated as of the Delivery Date, from the Sublessee to the U.S. Lessor substantially in the form of Exhibit L to the Participation Agreement.

IN WITNESS WHEREOF, the parties have caused this Collateral Assignment and Security Agreement to be duly executed by their respective officers or attorneys-in-fact thereunto duly authorized, as of the date first above written.

DE EXPORT-LEASING GmbH

By

[Signature]
Title: General Manager/Vice President

SECURITY PACIFIC EQUIPMENT
LEASING, INC.

By

[Signature]
Title: Associate Counsel

Roll of Deeds No. 96/88Vo

Federal Republic of Germany)

) ss:

City of Frankfurt am Main)

On this 14th day of December 1988 before me personally appeared Mr. Michael Kremer, to me personally known, who being by me duly sworn, says that he is the General Manager ("Geschäftsführer") of DB Export-Leasing GmbH, that the foregoing instrument was signed on behalf of said corporation, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

On this 14th day of December 1988 before me personally appeared Dr. Ulrich Stucke, to me personally known, who being by me duly sworn, says that he is the Assistant Vice President ("Prokurist") of DB Export-Leasing GmbH, that the foregoing instrument was signed on behalf of said corporation, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

H.-M. Giesen

Dr. Hans-Michael Giesen as officially appointed deputy of the notary Dr. Harald Voss, residing Taunusanlage 11, D-6000 Frankfurt am Main

1 6131

RECORDED IN _____ FILED IN _____

SEP 19 1988 11:11 AM

INTERSTATE COMMERCE COMMISSION

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

I have compared the annexed instrument to the original
thereof and have found it to be an exact copy of the original.

Noreen M. Berardino
Notary Public

[Seal]

My Commission Expires 9/89

NOREEN M. BERARDINO, NOTARY PUBLIC
State of New York, No. 03-4906136
Qualified in Bronx County
Cert. Filed in New York County
Commission Expires Sept. 21, 1989

All right, title and interest in and to this Lease Agreement and the Equipment covered hereby on the part of DB Export-Leasing GmbH, as Lessor, have been assigned to and are subject to a security interest in favor of Deutsche Credit Corporation under the Accounts Receivable Purchase Agreement, dated as of June 25, 1988 (as such Accounts Receivable Purchase Agreement may be amended or supplemented as permitted thereby). This Lease Agreement has been executed in several counterparts. Only the original counterpart contains the receipt therefor executed by Deutsche Credit Corporation, as secured party, immediately following the signature page thereof.

[Headlease]

LEASE AGREEMENT

Dated as of June 25, 1988

Between

DB EXPORT LEASING GmbH,
Lessor,

and

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Lessee.

34 Messerschmitt-Bolkow-Blohm Commuter Rail Coaches

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LEASE AGREEMENT

This Lease Agreement is dated as of June 25, 1988, and is between DB Export-Leasing GmbH, a German company (the "Lessor"), and Security Pacific Equipment Leasing, Inc., a Delaware corporation (the "Lessee").

WHEREAS, on December 31, 1987, the Lessee purchased, took title to and accepted delivery of, the Equipment from the Sublessee pursuant to the Participation Agreement; and

WHEREAS, concurrently with the Participation Agreement, the Lessee, as lessor, and the Sublessee, as lessee, entered into the Lease providing for the lease of the Equipment by the Lessee to the Sublessee for a term of 25 years; and

WHEREAS, the Lessee, as vendor, the Lessor, as purchaser, the Sublessee, the Purchaser, the Original Noteholder and the Indenture Trustee have entered into an Agreement to Purchase and Lease providing for the payment of the Lender Note, the discharge of the Indenture and the acquisition by the Lessor of the Equipment; and

WHEREAS, concurrently with the Agreement to Purchase and Lease, the Lessee and the Sublessee have entered into the Sublease, amending and restating the Lease and providing, among other things, for an option by the Lessee to terminate the Sublease on June 30, 2006; and

WHEREAS, the Lessor desires to lease back to the Lessee, and the Lessee desires to lease, the Equipment on the terms and conditions herein contained;

NOW, THEREFORE, the Lessor and the Lessee agree as follows:

ARTICLE 1

DEFINITIONS; OTHER GENERAL TERMS

1.1. Certain Terms. The capitalized terms used herein which are defined in, or by reference in, Restated Schedule X annexed hereto and by this reference incorporated herein, as such capitalized terms may be amended from time to time in accordance with Section 24.1, shall have the meanings specified therein whether or not such terms are defined herein.

1.2. Rules of Construction. Words of the masculine and feminine genders shall be deemed and construed to include the

neuter gender. Unless the context otherwise indicates, the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Whenever reference is made in this Lease to any agreement, instrument or document, the same shall (unless the context otherwise requires) mean and refer to such agreement, instrument or document as amended and in effect at the relevant time of reference thereto.

1.3. Recourse to Lessee Limited. In no case whatsoever shall the Lessee be personally liable on, or for any loss in respect of, any of the representations, warranties, agreements or obligations of the Lessee hereunder as to all of which the parties hereto agree to look solely to the Equipment and the Collateral, except that the Lessee shall be personally liable to the extent specified in Sections 10.1(d) and 10.7 of the Agreement to Purchase and Lease.

1.4. Satisfaction of Certain Covenants. The obligations of the Lessee under Sections 8.6(b), 8.6(c) and 14.1, the first sentence of Section 10.1 and Articles 4, 5, 6, 7 (except to the extent specified in Sections 10.1(d) and 10.7 of the Agreement to Purchase and Lease) 9 and 15 hereof shall be deemed satisfied in full in all respects by the Sublessee's execution and delivery of the Sublease. The Lessee shall not have any responsibility for the Sublessee's failure to perform any such obligation; but any such failure shall constitute the basis for a Headlease Default or a Headlease Event of Default to the extent provided in Article 12 hereof.

ARTICLE 2

LEASE; HEADLEASE TERM; DELIVERY AND ACCEPTANCE

2.1. Lease. The Lessor hereby grants the Lessee the right to use the Equipment subject to the terms and conditions of this Lease.

2.2. Term of Lease. The term of this Lease shall commence on the Effective Date and shall expire on June 30, 2006 unless the Lease is terminated in accordance with Article 10 or 13 hereof.

2.3. Delivery and Acceptance. The Lessee hereby undertakes without delay to cause the Sublessee, as agent of the Lessee, to inspect the Equipment and provided that the Equipment is in good order and condition to give the Lessor written confirmation of delivery to and acceptance by the Lessee of the

Equipment by executing and delivering to the Lessor an acceptance certificate substantially in the form of Exhibit A attached hereto. The execution of such certificate by the Sublessee, as agent of the Lessee, shall constitute conclusive evidence that the Lessee has accepted the Equipment for the purpose of this Lease without any limitation and that the Equipment complies with all requirements of this Lease.

2.4. Assembly of Equipment, Etc. The Lessor shall not be responsible for any assembly of, or installation of any parts on, the Equipment nor shall the Lessor bear any costs in connection therewith.

ARTICLE 3

DISCLAIMER OF WARRANTIES

THE LESSOR LEASES THE EQUIPMENT HEREUNDER "AS IS, WHERE IS" AND NEITHER THE LESSOR NOR THE PURCHASER HAS MADE NOR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR SUITABILITY OF ANY ITEM OF EQUIPMENT, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, AS TO THE ABSENCE OF OBLIGATION BASED ON STRICT LIABILITY IN TORT, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE EQUIPMENT OR ITS COMPLIANCE WITH APPLICABLE GOVERNMENTAL REQUIREMENTS OR REGULATIONS OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ITEM OF EQUIPMENT, except that the Lessor warrants and represents that on the Effective Date each item of Equipment shall be free of Lessor Liens attributable to it.

THE LESSEE HEREBY WAIVES TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW AS AGAINST THE LESSOR AND THE PURCHASER ALL RIGHTS IN RESPECT OF WARRANTIES, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY ITEM OF EQUIPMENT LEASED UNDER THIS LEASE AND ALL CLAIMS AGAINST THE LESSOR OR THE PURCHASER ARISING OUT OF OR IN CONNECTION WITH THE CONDITION, DESIGN, OPERATION, SPECIFICATION OR PERFORMANCE OF ANY ITEM OF EQUIPMENT INCLUDING, BUT NOT LIMITED TO, (1) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS THEREOF FOR A PARTICULAR PURPOSE OR USE OR SUITABILITY, (2) ANY IMPLIED WARRANTY THEREOF ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE, (3) ANY OBLIGATION, DUTY, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT WHETHER OR NOT FOUNDED IN STRICT LIABILITY IN TORT AND (4) FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

None of the provisions of this Article 3 or any other provision of this Lease shall be deemed to amend, modify or otherwise affect the representations, warranties or other obligations (express or implied) of the Manufacturer or any subcontractor or supplier of the Manufacturer, with respect to any item of Equipment or to release the Manufacturer or any such subcontractor or supplier from any such representation, warranty or obligation.

ARTICLE 4

POSSESSION OF EQUIPMENT; FURTHER ASSURANCES

4.1. Insignia; Further Assurances.

(a) Promptly after the Effective Date, the Lessee shall fasten or cause to be fastened and maintained in a clearly visible location, on each item of Equipment, metal nameplates identifying the interest of the Lessor and the Purchaser in and to such Equipment as follows:

THIS COACH IS LEASED FROM
SECURITY PACIFIC EQUIPMENT LEASING, INC.,
AS SUBLESSOR,
AND FROM
DB EXPORT-LEASING GmbH,
AS LESSOR,
AND IS SUBJECT TO A SECURITY
INTEREST IN FAVOR OF
DEUTSCHE CREDIT CORPORATION,
AS SECURED PARTY

The Lessee will not allow the name of any Person other than the Lessor, the Lessee, as lessor under the Sublease, and the Purchaser to be placed on any item of Equipment leased hereunder as a designation that might be interpreted as a Lien thereon or as a claim of ownership; provided, that the Lessee may cause the Equipment leased hereunder to be lettered and otherwise marked in an appropriate manner for convenience of identification of the interest therein of the Lessee or of any sublessee permitted under Section 4.2.

The Lessee will not change the road number of any item of Equipment unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lessor and the Purchaser and filed, recorded and deposited by the Lessee in all public offices where this Lease shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished to the Lessor and the Purchaser an opinion of counsel

satisfactory to the Lessor and the Purchaser to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Lessor's and the Purchaser's interest in such item and no filing, recording, deposit or giving notice with or to any other United States Federal, state or local government or agency thereof is necessary to protect the interests of the Lessor and the Purchaser in such item.

(b) The Lessee will promptly and duly execute and deliver such further documents and assurances and take such further action as the Lessor or the Purchaser may from time to time during the term of this Lease reasonably request or as may be necessary or appropriate in order more effectively to carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of the Lessor or the Purchaser, including, without limitation, at no expense to the Lessor, the execution and delivery of supplements or amendments hereto and thereto, in recordable form, subjecting any replacement or substituted Equipment to this Lease and the recording or filing of counterparts hereof, or of financing or continuation statements with respect hereto, in accordance with the laws of such jurisdictions as the Lessor may reasonably deem advisable.

(c) The Lessee agrees, for the benefit of the Lessor to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each item of Equipment) with all laws of the jurisdictions in which its operations involving the items of Equipment may extend, with the Interchange Rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the items of Equipment, to the extent that such laws and rules are applicable to the Lessee or any sublessee permitted under Section 4.2 and affect the title, operation or use of the items of Equipment or are necessary to comply with health, safety or environmental standards of any government or governmental authority having relevant jurisdiction (which for purposes of the foregoing, shall include an industry-wide health, safety, or environmental standard recognized by a government or governmental authority), and in the event that such laws or rules require any alteration, replacement or addition of or to any part of any item of Equipment, the Lessee will conform therewith at its own expense; provided, that the Lessee may at no expense to the Lessor, in good faith, contest the validity or application of any such law or rule in any reasonable manner if in the reasonable opinion of the Lessor, such contest will not adversely

affect the property or rights of the Lessor or the Purchaser under this Lease.

4.2. Possession; Sublease. The Lessee may sublease the Equipment to the Sublessee pursuant to the Sublease and may not otherwise sublease all or any portion of the Equipment or transfer or relinquish possession of any item of Equipment without the prior written consent of the Lessor. Notwithstanding that the Sublease was in effect on the effective date of this Lease, this Lease is senior to the Sublease, and, subject to the rights of the Sublessee under Section 10.1(j) of the Agreement to Purchase and Lease and Article 18 of the Sublease, upon any termination of this Lease the Sublease shall terminate unless concurrently with such termination the Equipment is transferred to the Lessee.

4.3. Reports by the Lessor. The Lessee will prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any U.S. Federal, state or other U.S. regulatory authority by reason of the Lessor's interest in the items of Equipment or the leasing thereof to the Lessee.

ARTICLE 5

MAINTENANCE AND OPERATION OF EQUIPMENT; REPLACEMENT OF PARTS

5.1. Maintenance. During the Headlease Term and the storage period referred to in Section 15.4, the Lessee, at no expense to the Lessor, shall maintain, inspect, service, repair, overhaul and test, or cause the same to be done to, each item of Equipment so as to keep such item of Equipment in good operating condition, ordinary wear and tear from the careful and proper use thereof excepted, and in conformity with the operating, running, maintenance and heavy repair manuals, instructions and service bulletins furnished by the Manufacturer or by any subcontractor or supplier of the Manufacturer and in accordance with the Sublessee's standard practices for similar equipment (including, without limitation, the Sublessee's maintenance program for the Equipment, as from time to time in effect). The Lessee shall maintain all records, logs and other materials required by all governmental authorities to be maintained in respect of the Equipment and shall promptly furnish to the Lessor upon the Lessor's request such information as may be required to enable the Lessor to file any reports required to be filed with any

governmental authority as a result of the Lessor's interest in the Equipment.

5.2. Operations.

(a) The Lessee shall not permit any item of Equipment to be maintained, serviced, repaired, overhauled, tested, used or operated in violation of any law or any rule, regulation or order of any governmental authority having jurisdiction, or in violation of any license or regulation relating to any item of Equipment issued by any such authority; provided, that the Lessee may in good faith (after having delivered to the Lessor and the Purchaser an Officer's Certificate of Sublessee stating the facts with respect thereto) contest the validity thereof in any reasonable manner which does not adversely affect the Lessor or the Purchaser and which is consistent with and does not impair the continuance in full force and effect of any insurance required to be maintained pursuant to Article 9. In the event that any such law, rule, regulation or order requires alteration of any item of Equipment, the Lessee will conform thereto or obtain conformance therewith at no expense to the Lessor and will maintain such item of Equipment in proper operating condition under such laws, rules, regulations and orders; provided, that the Lessee may in good faith (after having delivered to the Lessor and the Purchaser an Officer's Certificate of the Sublessee stating the facts with respect thereto) contest the validity thereof in any reasonable manner which does not adversely affect the Lessor or the Purchaser and which is consistent with any insurance required to be maintained pursuant to Article 9.

The Lessee agrees that (i) it will not operate or locate any item of Equipment, or suffer any item of Equipment to be operated or located, in any area or on any route or in any manner excluded from coverage by any insurance required by the terms of Article 9 and (ii) it will not operate the Equipment if any Headlease Event of Default under Article 12(d) shall have occurred and be continuing.

(b) The Lessor agrees to take such reasonable actions as may be appropriate to comply at the Lessee's request and at no expense to the Lessor with all laws, rules and regulations applicable to the Lessor and necessary to maintain the operation of the Equipment to the extent that such actions cannot be taken by the Lessee on behalf of the Lessor.

5.3. Replacement of Parts. The Lessee, at no expense to the Lessor, will promptly replace all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit

for use for any reason whatsoever. In addition, the Lessee may, at no expense to the Lessor, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use, provided that the Lessee will at no expense to the Lessor replace such Parts as promptly as possible. All replacement Parts immediately prior to installation on the Equipment shall be free and clear of all Liens (except for Permitted Liens) and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof; provided, that the Lessee shall have the right to install temporary replacement Parts pending completion of permanent repairs or installation of permanent replacement Parts, in which event the Lessee shall install permanent replacement Parts to meet such requirements as soon as reasonably possible and in any event prior to the termination of the Headlease Term. Subject to Article 6, all Parts at any time removed from any item of Equipment shall remain the property of the Lessor and subject to this Lease, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to the item of Equipment from which such replaced Parts were removed and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to such item of Equipment as above provided, without further act, (a) title to such replacement Part shall thereupon vest in the Lessor, (b) such replacement Part shall become subject to this Lease and be deemed part of such item of Equipment for all purposes hereof to the same extent as the Part originally incorporated or installed in or attached to such item of Equipment and (c) title to the replaced Part shall thereupon vest in the Lessee, free and clear of all rights of the Lessor, and shall no longer be deemed a "Part" hereunder. The Lessee, at no cost or expense to the Lessor, will take such action as may be necessary or appropriate to create, maintain or preserve the Lien of the Accounts Receivable Purchase Agreement with respect to such replacement Parts.

ARTICLE 6

ALTERATIONS, MODIFICATIONS AND ADDITIONS

The Lessee, at no expense to the Lessor, will make such alterations and modifications in and additions to the Equipment as may be required from time to time (regardless upon whom such requirements are by their terms nominally imposed) to meet all requirements of Applicable Law; provided, that the Lessee may in

good faith (after having delivered to the Lessor and the Purchaser an Officer's Certificate of Sublessee stating the facts with respect thereto) contest the validity of such requirements in any reasonable manner which does not adversely affect the Lessor or the Purchaser and which is consistent with and does not impair the continuance in full force and effect of any insurance required to be maintained pursuant to Article 9. In addition, the Lessee, at no expense to the Lessor, may from time to time make such alterations and modifications in and additions to any item of Equipment as the Lessee may deem desirable in the proper conduct of its business, including removal of Parts (herein called "Obsolete Parts") which the Lessee deems obsolete or no longer appropriate or suitable for use in the Equipment; provided that no such alteration, modification, removal or addition changes the basic use or function of the Equipment or diminishes the value, utility or condition of such item of Equipment below the value, utility and condition thereof immediately prior to such alteration, modification, removal or addition if such item of Equipment were then in the condition required to be maintained by the terms of this Lease. Except as otherwise set forth in the next succeeding sentence, title to all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (the "Additions") incorporated or installed in or attached to or added to such item of Equipment as the result of such alteration, modification or addition shall, without further act, vest in the Lessee if the Additions can be readily removed from such item of Equipment without diminishing or impairing the value, utility or condition which such item of Equipment would have had at such time had the alteration, modification, or addition not occurred. Title to (i) all Additions which cannot be so removed, (ii) replacement Parts referred to in Section 5.3, (iii) any and all parts installed on and additions and replacements made to any item of Equipment which are required for the operation or use of such item of Equipment by the Interchange Rules of the Association of American Railroads (if applicable) or by the applicable regulations of the Department of Transportation, the Interstate Commerce Commission or any other applicable regulatory body, and (iv) Additions intended to enhance the performance or operation of any item of Equipment shall, without further act, vest in the Lessor and become subject to this Lease, provided, that so long as no Headlease Default or Headlease Event of Default shall have occurred and be continuing, the Lessee may, at any time during the Headlease Term, remove any Addition from such item of Equipment, provided that (a) such Addition is in addition to, and not in replacement of or substitution for, any such item of Equipment, (b) such Addition is not required to be incorporated or installed in or attached or added to such item of Equipment pursuant to the terms of Section 5.1 or Section 5.3 or the first sentence of this Article 6, and (c) such Addition can be readily

removed from such item of Equipment without diminishing or impairing the value, utility or condition which such item of Equipment would have had at such time had such alteration, modification, or addition not occurred. Upon the removal by the Lessee of any Addition as above provided, title thereto shall, without further act, vest in the Lessee and such Addition shall no longer be deemed a "Part" hereunder. Any Addition not removed by the Lessee as above provided prior to the return of such item of Equipment to the Lessor hereunder shall remain the property of the Lessor.

The Lessor shall not bear any liability or cost for any alteration, modification or addition to any item of Equipment.

ARTICLE 7

LIENS

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to any item of Equipment, title thereto or any interest therein or in this Lease or the Headlease Rent or any other payments provided for hereunder except Permitted Liens. The Lessee will promptly, at no expense to the Lessor, take such action as may be necessary duly to discharge any Lien not excepted above if the same shall arise at any time.

The Lessor agrees that it will not (except as contemplated by this Lease or Section 13 of the Agreement to Purchase and Lease) sell, transfer or otherwise dispose of any item of Equipment or interest therein; provided, however, that the Lessor may enter into an agreement, subject to the Lessee's rights under Article 16, to sell or lease any item of Equipment, such sale to take place or lease to commence after the end of the Headlease Term with respect to such item of Equipment.

ARTICLE 8

HEADLEASE RENT; LESSEE COVENANTS

8.1. Basic Headlease Rent. The Lessee shall pay Basic Headlease Rent in arrears on each Rent Payment Date during the Headlease Term. Each payment of Basic Headlease Rent shall be in a minimum amount equal to the applicable percentage of the German Lessor's Purchase Price as set forth in Schedule 1 for those items of Equipment that are subject to this Lease on such Rent Payment Date for such Rent Payment Date.

8.2. Payment to be Free of Withholding Taxes. The Lessee shall pay all Headlease Rent hereunder to the extent permitted by law, free and clear of, and without deduction or withholding for or on account of, any Taxes other than Excluded German Taxes. If any Taxes other than Excluded German Taxes are required by law to be deducted or withheld from any payment of Headlease Rent, the Lessee shall increase the amount paid so that the Lessor receives when due, after such deduction or withholding, the full amount of such Headlease Rent payable hereunder.

8.3. Supplemental Headlease Rent; Interest on Overdue Headlease Rent. In addition to its obligation to pay Basic Headlease Rent hereunder, the Lessee shall pay to the Lessor and/or to whoever shall be entitled thereto any and all Supplemental Headlease Rent as and when the same shall become due and owing, and, in the event of any failure on the part of the Lessee to pay any Supplemental Headlease Rent when the same shall become due and owing, the Lessor shall have all rights, powers and remedies provided for herein or at law or in equity or otherwise in the case of nonpayment of Basic Headlease Rent. The Lessee also agrees to pay to the Lessor, upon demand, as Supplemental Headlease Rent, to the extent permitted by Applicable Law, interest at the Overdue Interest Rate on (i) any part of any installment of Basic Headlease Rent not paid when due for each day for which the same shall be overdue, and (ii) any payment of Supplemental Headlease Rent (other than such interest) not paid when due for each day for which the same shall be overdue. The expiration or other termination of the Lessee's obligation to pay Basic Headlease Rent hereunder shall not limit or modify the obligations of the Lessee with respect to Supplemental Headlease Rent. All payments of Supplemental Headlease Rent that are required by any provision of the Operative Documents to be paid on an After-tax Basis shall have been calculated and shall be paid on an After-tax Basis.

8.4. Place of Payment of Headlease Rent. All Headlease Rent, except payments required by Section 10.2 or 10.3 of the Agreement to Purchase and Lease and as contemplated in the Accounts Receivable Purchase Agreement No. 2, payable shall be paid by the Lessee to the Purchaser at Chase Manhattan Bank N.A., One Chase Manhattan Plaza, New York, New York 10081, account no. 910-2-432029 in the name of Deutsche Credit Corporation, Ref.: MBTA-I. Such payments shall discharge the obligations of the Lessee to the Lessor hereunder to the extent of such payments. Each such payment to the Lessor shall be accompanied by notice by the Lessee as to the provisions of this Lease pursuant to which such payment is being made. Each Headlease Rent payment shall be made by the Lessee in immediately available funds prior to 11:00 a.m. (New York time) on the day when such payment is due.

8.5. No Setoff, Counterclaim, Etc. Subject to Section 1.3, the Lessee's agreement to pay all Headlease Rent shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character, including, without limitation, (i) any change, waiver, extension, indulgence or other action or omission in respect of any obligation or liability of the Lessor hereunder unless effected in compliance with the terms hereof, (ii) any setoff, counterclaim, recoupment, defense or other right which the Lessee may have against the Lessor, the Purchaser, the Sublessee, the Manufacturer or any other Person for any reason whatsoever, (iii) any defect in the title, condition, design, operation or fitness for use or particular purpose of the Equipment, (iv) any loss or destruction of, or damage to, the Equipment or interruption or cessation in the use or possession thereof by the Lessee for any reason whatsoever and of whatever duration, (v) any requisition, restriction, prevention or curtailment of or interference with any use of the Equipment or any Part thereof, (vi) any insolvency, bankruptcy, reorganization or similar proceeding by or against the Lessee, the Lessor or the Sublessee, (vii) any failure to obtain any required governmental consent for a transfer of rights or title to the Lessee or any other Person pursuant to Article 10 or Article 16 or otherwise, (viii) the invalidity or unenforceability of this Lease or any other infirmity herein or any lack of power or authority of the Lessor or the Lessee to enter into this Lease, (ix) any deprivation of the Lessee (by the Lessor or any other Person) of the peaceful and quiet occupation and enjoyment of any or all of the Equipment or any items or Part thereof, (x) any indemnity payment made by the Lessee, (xi) any breach or alleged breach by the Lessor of any representation, warranty or covenant made in connection with the transactions contemplated hereby or (xii) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing. Each Headlease Rent payment (and each payment pursuant to the immediately succeeding sentence of this Section 8.5) made by the Lessee shall be final, and the Lessee will not seek to have any right to recover all or any part of such payment from the Lessor or the Purchaser for any reason whatsoever. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise except as expressly provided herein, the Lessee shall nonetheless pay to the Lessor an amount equal to each payment of Basic Headlease Rent hereunder at the time and in the manner that such payment would have become due and payable hereunder if the Lease had not been terminated in whole or in part until all payments of Basic Headlease Rent required by the terms of this Lease have been made. Nothing contained in this Section 8.5 shall be construed to be a waiver, modification, alteration or release of any claim which the Lessee may have at any time for damages or equitable relief against the Lessor, the Manufacturer or any

other Person. The Lessee waives any right under section 542 of the German Civil Code as in effect on the date hereof.

8.6. Additional Covenants.

(a) The Lessee will, promptly after having Actual Knowledge thereof, notify the Lessor and the Purchaser of any litigation or administrative or arbitration proceedings affecting the Equipment or affecting the Lessee or any of its other assets, which, if adversely decided would, either individually or in the aggregate, have a material and adverse effect on the ability of the Lessee to perform its obligations under any Operative Document.

(b) The Lessee will use the Equipment in a sound and safe manner using due care at all times to maintain and operate the Equipment in accordance with applicable safety standards.

(c) The Lessee will use the Equipment solely within the borders of the continental United States.

8.7. Business Days. If any Rent Payment Date or any other date on which any payment is required to be made under this Lease shall not be a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if made on such day, and no interest or Supplemental Headlease Rent shall accrue by reason of such deferral of payment.

ARTICLE 9

INSURANCE

9.1. Public Liability and Property Damage Insurance. The Lessee, at no expense to the Lessor, will maintain or cause to be maintained at all times during the Headlease Term and the storage period referred to in Section 15.4 public liability insurance including passenger legal liability, personal injury liability, contractual liability and property damage coverage. Such insurance shall be in such amounts and with such insurance companies as is consistent with prudent industry practice and acceptable to the Lessor, and, in any event, subject to commercial availability; provided, that such insurance companies must have a Best rating of at least "B+" or, if not subject to Best rating, must be of financial strength comparable to that required for a Best "B+" rating; and provided, further, that the Lessor confirms that the insurance program outlined in the letter of Fred S. James Co. Inc. to the Lessee dated December 30, 1987 is in amounts and with such insurance companies as is acceptable

to the Lessor. Such amounts of insurance shall not be less than such insurance coverage carried by and the related deductibles or retentions shall not be greater than deductibles or retentions of, commuter rail systems of comparable size to the Sublessee's. All such policies of insurance and all policies taken out in substitution or replacement of the required policies shall (i) name the Lessor and the Purchaser as additional insureds, as their respective interests may appear, (ii) provide that no cancellation (including for nonpayment of premium) or material change of coverage be effective until at least 30 days after notice thereof has been mailed to the Lessor, the Purchaser and any other named insureds and (iii) provide that no breach of warranty on the part of the Lessee or other action of the Lessee shall impair the rights of the Lessor or the Purchaser under such policies. If within the last five years of the Headlease Term, insurance is obtained on a claims made basis, the Lessee shall continue such coverage in force for three years following the expiration of the Headlease Term with the Lessor and the Purchaser remaining as additional insureds.

9.2. Insurance Against Loss or Damage to Equipment.

The Lessee, without expense to the Lessor or other additional insureds, will maintain or cause to be maintained at all times during the Headlease Term and the storage period referred to in Section 15.4 all risk insurance covering loss or damage to the Equipment and Parts which is of such type, in such amounts (but in any event not less than \$75 million) and with such deductibles or retentions, so long as the Sublessee's long-term unsecured tax exempt debt is rated Investment Grade, and is not less than such insurance coverage carried by commuter rail systems of comparable size to the Sublessee's, and with such insurance companies as usually carried by commuter rail systems of comparable size to the Sublessee's and acceptable to the Lessor, and, in any event, subject to commercial availability; provided, that such insurance companies must have a Best rating of at least "B+" or, if not subject to Best rating, must be of financial strength comparable to that required for a Best "B+" rating and, provided further, that the Lessor confirms that the insurance program outlined in the letter of Fred S. James Co., Inc. to the Lessee dated December 30, 1987 is in amounts and with such insurance companies as is acceptable to the Lessor. All policies carried in accordance with this Section 9.2 during the term of this Lease shall (a) name the Lessor and the Purchaser as loss payees, as their interests may appear, (b) provide that no cancellation (including for nonpayment of premium) or material change of coverage be effective until at least 30 days after notice thereof has been mailed to the Lessor, the Purchaser and any other loss payees and (c) provide that no breach of warranty by the Lessee or other action by the Lessee shall impair the rights of the Lessor or the Purchaser.

9.3. Application of Insurance Proceeds for Event of Loss. As between the Lessor and the Lessee it is agreed that all insurance payments received as the result of the occurrence of an Event of Loss with respect to an item of Equipment will be applied as follows (but subject to Section 9.5):

(a) unless such items of Equipment are replaced pursuant to Section 10.1(b), so much of such payments as shall not exceed the amounts due under Section 10.1(a) shall be applied in reduction of the Lessee's obligation to pay such amounts, if not already paid by the Lessee, or, if already paid by the Lessee, shall be applied to reimburse the Lessee for its payments of such amounts, and the balance, if any, of such payments remaining thereafter will be paid to the Lessee; and

(b) if such items of Equipment are replaced pursuant to Section 10.1(b), such payments shall be paid over to or retained by the Lessee, provided that the Lessee shall have fully performed or, concurrently therewith, will fully perform the terms of Section 10.1(b).

9.4. Application of Insurance Proceeds for Other Than Event of Loss. As between the Lessor and the Lessee, the insurance proceeds of any property damage loss to any Equipment not constituting an Event of Loss will be applied in payment (or to reimburse the Lessee) for repairs or for replacement property in accordance with the terms of Article 5, and (subject to Section 9.5) any balance remaining after compliance with such Article with respect to such loss shall be paid to, or retained by, the Lessee.

9.5. Application During Existence of Headlease Event of Default. Any amount referred to in Sections 9.3(a), 9.3(b) or 9.4 which is payable to the Lessee shall not be paid to the Lessee or, if it has been previously paid to the Lessee, shall not be retained by the Lessee, if at the time of such payment a Headlease Event of Default or a Headlease Default shall have occurred and be continuing. In such event, all such amounts shall be paid to and held by the Lessor as security for the obligations of the Lessee to make payments under the Agreement to Purchase and Lease or to pay Headlease Rent hereunder or, at the Lessor's option, applied by the Lessor toward payment of any of such obligations of the Lessee at the time due hereunder or under the Agreement to Purchase and Lease as the Lessor may elect. At such time as there shall not be continuing any Headlease Default or Headlease Event of Default, all such amounts at the time held by the Lessor in excess of the amount, if any, which the Lessor

shall have elected to apply as above provided shall be paid to the Lessee. Notwithstanding the foregoing, if the Lessor is holding any amount pursuant to this Section 9.5 as a result of a Headlease Event of Default or a Headlease Default that is not also a Sublease Event of Default or a Sublease Default, then the Lessor shall pay such amount to the Sublessee.

9.6. Certificates, Etc. The Lessee will during the Headlease Term and the storage period referred to in Section 15.4 furnish to the Lessor and the Purchaser evidence (including certified copies of policies if requested) of renewal or replacement of the insurance policies required pursuant to this Article 9 prior to the cancellation, lapse or expiration of such insurance policies and, on the renewal dates of the insurance policies carried by the Lessee pursuant to this Article 9, a certificate of the Sublessee's insurance broker describing in reasonable detail the insurance carried by the Lessee to comply with this Article 9, the primary and excess insurance carriers and their respective percentage interests, and an Officer's Certificate of the Sublessee stating that the insurance then carried and maintained on the Equipment complies with the terms hereof.

9.7. Additional Insurance. Nothing contained herein shall prevent the Lessee, the Lessor or the Purchaser from carrying at its own expense additional insurance in excess of or in addition to that required hereunder; provided that no such insurance may be obtained which would limit or otherwise adversely affect the coverage or payment of any insurance required to be maintained pursuant to this Article 9 or prevent the payment of a policy premium which, if not paid by the Lessee, would invalidate the required coverage.

ARTICLE 10

EVENT OF LOSS; DAMAGE

10.1. Event of Loss with Respect to Equipment. Upon the occurrence of an Event of Loss with respect to the Equipment, the Lessee shall either make payment to the Lessor or substitute equipment for the items of Equipment subject to such Event of Loss as provided, respectively, in paragraphs (a) and (b) below, according to the election made by the Sublessee pursuant to Section 10.1 of the Sublease (failure by the Sublessee to make such election being deemed to be an election of alternative (a)).

(a) If the Sublessee shall elect to make payment to the Lessee, the Lessee shall, not later than the earlier of (x) the Headlease Stipulated Loss Value Date next following

receipt of insurance proceeds in respect of such Event of Loss and (y) the Headlease Stipulated Loss Value Date next following the date which is 45 days following such Event of Loss, pay or cause to be paid to the Lessor the Headlease Stipulated Loss Value for the item of Equipment, computed as of the date of payment (provided that (i) if the Headlease Stipulated Loss Value Date on which such payment occurs is also a Rent Payment Date or (ii) if the Event of Loss occurs prior to a Rent Payment Date, and the Headlease Stipulated Loss Value Date on which payment occurs is after that intervening Rent Payment Date, then in each case the Basic Headlease Rent payable on such Rent Payment Date and such Headlease Stipulated Loss Value Date shall be payable as if the Equipment in respect of which the Headlease Stipulated Loss Value is payable had not been subject to an Event of Loss), it being understood that in the event the Lessee shall be required to pay, and shall pay, Headlease Stipulated Loss Value pursuant to Section 13(a), or liquidated damages pursuant to Sections 13(c) or 13(d) and any interest thereon, then, to the extent of such payment and giving proper effect to the timing of such payment, the Lessee's obligation to pay Headlease Stipulated Loss Value thereon pursuant to this Section 10.1(a) shall be reduced.

At such time as the Lessor and the Purchaser shall have received the Headlease Stipulated Loss Value specified above, together with all other amounts then due and payable hereunder, including any rent payable on the Headlease Stipulated Loss Value Date, and under any other Operative Documents and Cross Border Documents, (A) the obligation of the Lessee to pay Basic Headlease Rent hereunder with respect to the Equipment subject to the Event of Loss which would otherwise become due and payable after, but not on or before, the Headlease Stipulated Loss Value Date next following the date of such Event of Loss, shall terminate, provided that if a Rent Payment Date shall occur after the date of such Event of Loss but prior to the date of such payment, the Lessee shall pay on such Rent Payment Date the Basic Headlease Rent that would have been due on such Rent Payment Date if such Event of Loss had not occurred, (B) the Headlease Term shall end as to the Equipment subject to such Event of Loss and (C) the Lessor shall Transfer to the Lessee or as the Lessee shall direct, subject to the rights of any insurer: (1) the items of Equipment which were subject to such Event of Loss and (2) all claims, if any, relating to the leasehold interest arising from such Event of Loss against third parties for damage to or loss of the Equipment which was subject to such Event of Loss. Upon such Transfer, the Equipment which is subject to such Transfer shall cease to be an item of Equipment hereunder. The net proceeds of all such claims relating to the leasehold interest against third parties arising from such Event of Loss, if any, after payment of the Lessor's and the Lessee's out-of-

pocket costs and expenses shall be applied in the same manner as the proceeds of insurance are applied pursuant to Section 9.3(a).

(b) Upon the occurrence of an Event of Loss with respect to any item of Equipment (the "Destroyed Equipment"), if the Lessor shall not have commenced to exercise its rights under Article 13 hereof with respect to a Headlease Event of Default which has occurred and is continuing, if the Sublessee shall elect to substitute equipment for such Destroyed Equipment as provided in Section 10.1(b) and Section 10.2 of the Sublease, the Lessee shall have no obligation to make any payment pursuant to Section 10.1(a) with respect to such Destroyed Equipment. If the Sublessee shall so elect to substitute, the Lessee shall within 120 days after the date of such Event of Loss convey to the Lessor substitute mass transit commuting vehicular equipment substantially similar to the Destroyed Equipment having a Fair Market Sales Value, residual value and estimated useful life at least equal to the Fair Market Sales Value, residual value and estimated useful life of, and being in as good operating condition as, the Destroyed Equipment immediately prior to the occurrence of such Event of Loss assuming that the Destroyed Equipment was at that time in the condition and repair required to be maintained hereunder.

Upon full compliance by the Lessee with the terms of Sections 10.1(b) and 10.2 and if no Headlease Default or Headlease Event of Default shall have occurred and be continuing, the Lessor shall Transfer to the Lessee or as the Lessee shall direct, subject to the rights of any insurer: (i) the Destroyed Equipment and (ii) all claims, if any, arising from such Event of Loss against third parties for damage to or loss of the Destroyed Equipment. Upon such Transfer, the Destroyed Equipment shall cease to be an item of Equipment hereunder.

10.2. Documents Required in Connection with Substitution. At the time of any substitution for any item of Equipment pursuant to Section 10.1(b), the Lessee will deliver to the Lessor and the Purchaser at no expense to the Lessor or the Purchaser the following and the following conditions precedent shall be satisfied:

(a) an Officer's Certificate of the Sublessee stating (A) the model numbers of the replacement item of Equipment (the "Substitute Equipment") and the name of the manufacturer of the Substitute Equipment, (B) that the Substitute Equipment is in good operating condition and repair, is of a type substantially similar to the Destroyed Equipment and meets the applicable useful life and value requirements and the other requirements of Section 10.1(b), (C) that all conditions precedent provided for in Section

10.1(b) relating to such substitution have been complied with, (D) that there exists no Headlease Default or Headlease Event of Default other than a Headlease Default described in Section 12(e), (E) that the Lessor has valid and legal title to such Substitute Equipment free and clear of all Liens other than Permitted Liens, and (F) that all necessary approvals, authorizations, consents, licenses, certificates and orders have been obtained, and such approvals, authorizations, consents, licenses, certificates or orders are in full force and effect and constitute sufficient authorization therefor;

(b) a bill of sale in form and substance reasonably satisfactory to the Lessor, containing full warranties as to title (original executed copy for the Lessor only);

(c) a supplement to this Lease in form and substance reasonably satisfactory to the Lessor and the Purchaser;

(d) with respect to Destroyed Equipment, a certificate of an independent expert satisfactory to the Lessor stating (A) the Fair Market Sales Value, residual value and estimated useful life of the Destroyed Equipment immediately preceding the occurrence of the Event of Loss assuming that the Destroyed Equipment at that time had been maintained in the condition and repair required by this Lease and (B) the Fair Market Sales Value, residual value and estimated useful life of the Substitute Equipment;

(e) an opinion of counsel reasonably satisfactory to the Lessor and the Purchaser with respect to such bill of sale and such supplement to this Lease, such opinion in each case to be in form and substance reasonably satisfactory to the Lessor and the Purchaser;

(f) a written report of an insurance broker confirming the maintenance of insurance with respect to the Substitute Equipment sufficient to comply with Article 9;

(g) an assignment to the Lessor of all assignable rights, warranties and representations with respect to the Substitute Equipment; and

(h) filings with respect to the Substitute Equipment of the type required by Section 10.1(b) of the Agreement to Purchase and Lease.

10.3. Application of Payments from Governmental Authorities for Requisition of Title. Any payments (other than insurance proceeds the application of which is provided for in Article 9) received at any time by the Lessor or the Lessee from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft, disappearance or seizure of, or requisition of title to or use of any item of Equipment shall be applied as follows:

(a) unless such items of Equipment are replaced pursuant to Section 10.1(b), so much of such payments as shall not exceed the amounts due under clauses (i) and (ii) of Section 10.1(a) shall be applied in reduction of the Lessee's obligation to pay such amounts, if not already paid by the Lessee, or, if already paid by the Lessee, shall be applied to reimburse the Lessee for its payment of such amounts, and the balance, if any, of such payment remaining thereafter will be paid over to or retained by the Lessee; or

(b) if such items of Equipment are replaced pursuant to Section 10.1(b), such payments shall be paid over to or retained by the Lessee, provided that the Lessee shall have fully performed or, concurrently therewith will fully perform, the terms of Section 10.1(b).

Nothing in (a) or (b) above shall be construed to provide any payment to the Lessee until all liabilities arising under the tax indemnity provisions of the Agreement to Purchase and Lease associated therewith have been paid to the Lessor.

10.4. Application of Payments During Existence of Headlease Event of Default. Any amount referred to in Section 10.3 which is payable to the Lessee shall not be paid to the Lessee, or, if it has previously been paid to the Lessee, shall not be retained by the Lessee, if at the time of such payment a Headlease Default or a Headlease Event of Default shall have occurred and be continuing. In such event all such amounts shall be paid to and held by the Lessor as security for the obligations of the Lessee to make payments under the Agreement to Purchase and Lease or to pay Headlease Rent hereunder or, at the Lessor's option, applied by the Lessor toward payment of any of such obligations of the Lessee at the time due hereunder or under the Agreement to Purchase and Lease as the Lessor may elect. At such time as there shall not be continuing any Headlease Event of Default or Headlease Default, all such amounts at the time held by the Lessor in excess of the amount, if any, which the Lessor shall have elected to apply as above provided shall be paid to the Lessee. Notwithstanding the foregoing, if the Lessor is holding any amount pursuant to this Section 10.4 as a result of a Headlease Event of Default or a Headlease Default that is not

also a Sublease Event of Default or a Sublease Default, then the Lessor shall pay such amount to the Sublessee.

ARTICLE 11

ASSIGNMENTS

Except as set forth in Article 17 and as contemplated by the Agreement to Purchase and Lease, this Lease shall not be assignable in whole or in part by the Lessor to any Person without the consent of the Lessee (which consent shall not be unreasonably withheld).

ARTICLE 12

HEADLEASE EVENTS OF DEFAULT

The following events shall constitute Headlease Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) any payment of Basic Headlease Rent or Headlease Stipulated Loss Value shall not be paid by the Lessee within 10 days after the same shall become due; or

(b) any other payment of Headlease Rent shall not be paid by the Lessee within 15 days after the same shall become due; or

(c) any indemnity payment to the Lessor or the Purchaser in accordance with Section 10.2 or 10.3 of the Agreement to Purchase and Lease shall not be paid by the Lessee when due and such nonpayment shall continue unremedied for a period of 30 days after written notice thereof by the Lessor or the Purchaser to the Lessee; or

(d) insurance on the Equipment shall not be carried or maintained in compliance with the provisions of Article 9 or such insurance is cancelled (and not previously or contemporaneously replaced) for any reason whatsoever, or the Equipment shall be operated or located in any area or on any route or in any manner excluded from coverage by any insurance required by the terms of Article 9; or

(e) the Lessee or the Sublessee shall fail to perform or observe any other covenant or agreement to be

performed or observed by it hereunder, under the Agreement to Purchase and Lease, under the Collateral Assignment or under any other Operative Document or Cross Border Document and any such failure shall continue unremedied for a period of 30 days after written notice thereof to the Lessee and the Sublessee by the Lessor or the Purchaser, provided, that if such failure can be remedied but not within such 30-day period and the Lessee or the Sublessee, as the case may be, is taking all such action as the Lessor and the Purchaser deem appropriate and necessary to remedy such failure, such period shall be extended for such longer period as may be reasonably necessary up to an additional 90 days; or

(f) any representation or warranty made by the Lessee or the Sublessee herein, in the Agreement to Purchase and Lease, in any other Operative Document (excluding only the Tax Indemnity Agreement) or Cross Border Document, including, without limitation, the U.S. Lessor's Warranty Bill of Sale or agreement entered into by it in connection with the Overall Transaction or the Cross Border Transaction or in any document or certificate furnished by the Lessee or the Sublessee pursuant to any such agreements, documents or certificates shall prove to be incorrect as of the date made in any material respect and, except in the case of representations or warranties made as of the Effective Date, the condition which made such representation or warranty incorrect if remediable shall continue unremedied for a period of 30 days after written notice thereof by the Lessor or the Purchaser to the Lessee and the Sublessee; or

(g) a receiver, liquidator or trustee for the Lessee or the Sublessee or for all or substantially all of the properties or assets of the Lessee or the Sublessee shall be appointed by court or governmental order and such order shall remain in effect for more than 90 days; or

(h) the Lessee or the Sublessee shall file a petition in voluntary bankruptcy or the Lessee or the Sublessee shall otherwise request protection under any provision of any bankruptcy or insolvency law (as now or hereafter in effect), or expressly consent to the filing of any petition against it under any such law, or make an assignment for the benefit of its creditors, or expressly consent to the appointment of a receiver, trustee or liquidator of it or of all or substantially all of its properties or assets; or

(i) a petition against the Lessee or the Sublessee in a proceeding or case under any bankruptcy laws or other insolvency laws (as now or hereafter in effect)

shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or, in case the approval of such petition by a court of competent jurisdiction is required, the petition as filed or amended shall be approved by such a court as properly filed and such approval shall not be withdrawn or the proceeding dismissed within 90 days thereafter, or a decree or order for relief in respect of the Lessee or the Sublessee shall be entered by a court of competent jurisdiction in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other similar law, as now or hereafter constituted, and such decree or order shall remain in effect and unstayed for a period of 90 days, or if, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to the Lessee or the Sublessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Lessee or the Sublessee or of any substantial part of the property of the Lessee or the Sublessee and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 60 days; or

(j) if for any reason any material provision of this Lease Agreement or the Agreement to Purchase and Lease obligating the Lessee shall not be in full force and effect in accordance with its terms or shall cease to be the lawful, valid and binding obligations of the Lessee; or

(k) if a "Sublease Event of Default" under the Sublease shall have occurred and be continuing.

For purposes of Section 12(e), a failure to perform or observe a covenant or agreement is capable of being remedied if, in the reasonable opinion of the Lessor and the Purchaser, the condition that caused such failure can be removed or rectified, compliance with the covenant or agreement can be effected and any adverse consequences caused by such failure can be cured to the reasonable satisfaction of each Person entitled to enforce such covenant or agreement. For purposes of Section 12(f), an incorrect representation or warranty is capable of being remedied if the condition that made the representation or warranty incorrect can, in the reasonable opinion of the Lessor and the Purchaser, be removed or rectified.

ARTICLE 13

REMEDIES; APPLICATION OF AMOUNTS REALIZED; FAIR MARKET SALES VALUE

13.1. Remedies. Upon the occurrence of any Headlease Event of Default and at any time thereafter so long as the same shall be continuing, the Lessor may, at its option, declare by notice to the Lessee this Lease Agreement to be in default, and at any time thereafter so long as all outstanding Headlease Events of Default shall not have been remedied the Lessor may, in addition to any other remedies provided herein, exercise any one or more of the following remedies with respect to any or all of the Equipment as the Lessor in its sole discretion shall elect (subject to the penultimate paragraph of this Section 13.1):

(a) The Lessor, by notice to the Lessee specifying a payment date not earlier than 10 days, and not more than 30 days, from the date of such notice, may require the Lessee to pay to the Lessor, and the Lessee hereby agrees that it will pay to the Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain, and not as a penalty, and in lieu of any further payments of Basic Headlease Rent hereunder, an amount equal to the sum of (i) all unpaid Basic Headlease Rent payable on each Rent Payment Date occurring on or before the Headlease Stipulated Loss Payment Date next following the payment date specified in such notice, plus (ii) an amount equal to the Headlease Stipulated Loss Value for any or all of the Equipment as the Lessor in its sole discretion shall elect calculated as of the Headlease Stipulated Loss Value Date next following the payment date specified in such notice (unless such payment date shall be a Headlease Stipulated Loss Value Date, in which case Headlease Stipulated Loss Value shall be computed as of such Headlease Stipulated Loss Value Date), plus (iii) interest, from the date due until the date paid, at the Overdue Interest Rate on any payment of Headlease Rent or Headlease Stipulated Loss Value not paid when due in accordance with clause (i) or (ii) of this paragraph (a).

(b) Upon demand, the Lessor may cause the Lessee at no expense to the Lessor to, and the Lessee hereby agrees that it will, promptly redeliver or cause to be redelivered, the Equipment to the Lessor with all reasonable dispatch and in the same manner and in the same condition as if the Equipment were being redelivered at the expiration of the Headlease Term in accordance with all of the provisions of Article 15, and all the provisions of said Article shall apply to such redelivery; or the Lessor or its agent, at the Lessor's option, without further notice, may, but shall be

under no obligation to, retake the Equipment wheresoever found and irrespective of whether the Lessee or any other Person may be in possession of the Equipment, all without prior demand and without legal process, and for that purpose the Lessor or its agent may enter any place where the Equipment may be and may take possession thereof, without the Lessor or its agent incurring any liability by reason of such retaking or otherwise.

(c) The Lessor or its agent may sell the Equipment at public or private sale, as the Lessor may determine, or otherwise may dispose of, hold, use, operate, lease (whether for a period greater or less than the balance of what would have been the Headlease Term) to others or keep idle the Equipment, all on such terms and conditions and at such place or places as the Lessor may determine and all free and clear of any rights of the Lessee and of any claim of the Lessee, in equity, at law or by statute, whether for loss or damage or otherwise, and without any duty to account to the Lessee, provided, that (i) if the Lessor or its agent shall sell the Equipment, the Lessee's obligation to pay Basic Headlease Rent with respect to the Equipment for any period after the date of such sale shall terminate and the Equipment shall cease to be subject to this Lease from and after the date of such sale, and (ii) the Lessee's obligation to pay Basic Headlease Rent for any period after the Lessee shall have been deprived of possession of the Equipment pursuant to this Article 13 shall be reduced by the net proceeds, if any, received by the Lessor from leasing the Equipment to, or otherwise permitting its use by, any Person other than the Lessee for all or any portion of such period. In the event the Lessor shall have sold the Equipment pursuant to this Section 13.1(c) (and prior thereto shall not have exercised its rights under Section 13.1(d)), the Lessor may demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor, as liquidated damages for the loss of a bargain and not as a penalty, on the Headlease Stipulated Loss Value Date next following such sale, any unpaid Basic Headlease Rent due on or before such Headlease Stipulated Loss Value Date plus the amount of any difference between the net proceeds of such sale paid to the Lessor and the Headlease Stipulated Loss Value, computed as of such Headlease Stipulated Loss Value Date, unless such sale occurs on a Headlease Stipulated Loss Value Date, in which case Headlease Stipulated Loss Value shall be computed as of such Headlease Stipulated Loss Value Date. Such payment shall be in lieu of all Basic Headlease Rent due after such Headlease Stipulated Loss Value Date.

(d) Whether or not the Lessor shall have exercised, or shall thereafter at any time exercise, any of

its rights under Sections 13.1(b) or 13.1(c) (other than a sale under Section 13.1(c)), the Lessor may, at any time prior to the time that the Equipment shall have been sold by the Lessor pursuant to Section 13.1(c), by written notice to the Lessee requesting that the Fair Market Sales Value of the Equipment be determined, demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor on the first Rent Payment Date occurring at least 10 days after the determination of such Fair Market Sales Value (herein called the "Designated Payment Date"), as liquidated damages for loss of a bargain and not as a penalty (in lieu of all payments of Basic Headlease Rent becoming due after the Designated Payment Date), any unpaid Basic Headlease Rent due on or before the Designated Payment Date plus an amount equal to the excess, if any, of the Headlease Stipulated Loss Value for the Equipment as of the Designated Payment Date over the Fair Market Sales Value of the Equipment.

(e) The Lessor by written notice to the Lessee may (1) terminate this Lease without relieving the Lessee of its obligations hereunder as to the Equipment; (2) exercise any other right or remedy which may be available under Applicable Law; and/or (3) proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof.

In any and all events, the Lessee shall be liable for any and all Supplemental Headlease Rent payable hereunder and all amounts payable by the Lessee under the Agreement to Purchase and Lease before, during or after the exercise of any of the foregoing remedies and also for all legal fees and any other costs and expenses whatsoever incurred by the Lessor or the Purchaser by reason of the occurrence of any Headlease Event of Default or by reason of the exercise by the Lessor or the Purchaser of any remedy hereunder in connection with any Headlease Event of Default including, without limitation, any costs and expenses incurred by the Lessor or the Purchaser in connection with any retaking of the Equipment or, upon the redelivery or retaking of the Equipment in accordance with this Section 13.1, the placing of the Equipment in the condition required by and otherwise complying with the terms of Article 15.

No remedy referred to in this Section 13.1 is intended to be exclusive, but each shall be cumulative and is in addition to, and may be exercised concurrently with, any other remedy which is referred to in this Section 13.1 or which may otherwise be available to the Lessor under Applicable Law. Subject to the payment in full of all of the Lessee's obligations under the Operative Documents and the Cross Border Documents, there shall be deducted from the aggregate amount recoverable by the Lessor

pursuant to this Section 13.1 the net balance, if any, remaining of any monies held by the Lessor or the Purchaser pursuant to Sections 9.5 and 10.4 which would have been required by the terms of this Lease to have been paid to the Lessee but for the occurrence of a Headlease Event of Default. No express or implied waiver by the Lessor of any Headlease Event of Default shall in any way be, or be construed to be, a waiver of any further or subsequent Headlease Event of Default.

At any public or private sale of an item of Equipment pursuant to this Section 13.1, the Lessee or the Purchaser may bid for and purchase such property. The Lessor agrees to give the Lessee at least 15 days prior written notice of the date fixed for any public sale of an item of Equipment or of the date on or after which will occur any private sale or on or after which will occur the execution of any contract providing for any private sale and such sale shall be conducted in general so as to afford the Lessee and the Purchaser a reasonable opportunity to bid.

Anything contained in this Section 13.1 to the contrary notwithstanding, the Lessor agrees with the Lessee that (i) it will not exercise any remedy by reason of the occurrence of a Headlease Event of Default other than sale of the Equipment unless in its good faith judgment such sale would not realize amounts sufficient to pay all amounts referred to in clauses First and Second of Section 13.2 and (ii) in any event it will exercise any remedies available by reason of a Headlease Event of Default in a manner which in its good faith judgment will realize the best recovery.

13.2. Amounts Realized from Exercise of Remedies. Except for Excluded Payments, all amounts realized by the Lessor from the exercise of any remedies pursuant to Section 13.1 of this Lease, including, without limitation, the sale, releasing or use of the Equipment, shall be applied forthwith by the Lessor in the following order of priority:

First. So much of such amounts as shall be required to reimburse the Lessor for any tax (except to the extent taken into account directly or indirectly in the amount of Headlease Stipulated Loss Value payable pursuant to Clause Second of this Section 13.2), expense or other loss incurred by the Lessor in connection with the exercise of such remedies (to the extent not previously reimbursed) shall be applied by the Lessor to the reimbursement of such tax, expense or other loss;

Second. So much of such amounts as shall be required to pay to the Lessor an amount equal to the sum

of (a) all Basic Headlease Rent payable on each Rent Payment Date occurring on or before such amounts are realized, (b) all other Headlease Rent at the time payable to Lessor, (c) the Headlease Stipulated Loss Value calculated as of the Headlease Stipulated Loss Value Date which next follows or coincides with the date such amounts are realized, plus (d) interest from the date due until the date paid, at the Overdue Interest Rate on any payment of Headlease Rent or Headlease Stipulated Loss Value not paid when due, shall be retained by Lessor; and

Third. The balance, if any, of such amounts remaining thereafter shall be distributed to the Lessee, and, upon the payment to the Lessor of the amount specified in clause Second of this Section 13.2, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of all (but not less than all) items of Equipment then subject to this Lease and in the event it receives any bid, the Lessee shall, at least five Business Days prior to the proposed date of sale, certify to the Lessor in writing the amount and terms of such bid, the proposed date of such sale and the name and address of the party (who may be the Lessee) submitting such bid. The Lessee shall have the option, exercisable by notice contained in the Lessee's certification of the bid referred to in the immediately preceding sentence, to purchase the Equipment for the same amount and on the same terms as the bid so certified. On or before the proposed date of sale, the Lessor shall Transfer the Equipment to the purchaser against payment by the purchaser of the purchase price in same day funds and the Lessor shall execute and deliver such documents evidencing such sale and Transfer as the purchaser shall reasonably request, but, in any event, by Bill of Sale providing that the Equipment is transferred and conveyed "AS IS, WHERE IS". THE LESSOR HAS NOT MADE AND SHALL NOT MAKE ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY, DURABILITY, DESIGN, OPERATION, FITNESS FOR A PARTICULAR PURPOSE OR USE, OR SUITABILITY OF THE EQUIPMENT, AND SHALL TRANSFER ALL OF ITS RIGHT, TITLE AND INTEREST IN THE EQUIPMENT TO THE PURCHASER "AS IS, WHERE IS" WITHOUT WARRANTY, EXPRESS OR IMPLIED, except that the Lessor will warrant to the purchaser that the Equipment is free and clear of Lessor Liens attributable to it.

13.3. Fair Market Sales Value; Appraisal Procedure.

For purposes of Sections 10.1(b) and 13.1(d), the "Fair Market Sales Value" of the Equipment, or any item, as of any date shall be the cash price that would be obtained in an arm's-length transaction between an informed and willing buyer (including a lessee currently in possession but not including a used equipment dealer or buyer of scrap) under no compulsion to buy, and an informed and willing seller under no compulsion to sell. Fair Market Sales Value shall not include the cost of removal or delivery of the Equipment. In determining Fair Market Sales Value, it shall be assumed that the Lessee has complied with all of the terms, provisions and conditions of this Lease and that the Equipment is in the condition and configuration required upon return to the Lessor.

The Fair Market Sales Value of the items of Equipment in question shall be mutually agreed upon by the parties to this Lease. Upon the determination by either party to this Lease that it and the other party to this Lease are unable to agree upon such Fair Market Sales Value, such party shall deliver to the other party a written notice appointing a recognized independent appraiser to determine such Fair Market Sales Value. Within 30 days after receipt of such written notice from one party to this Lease, the other party hereto shall deliver to such party a written notice appointing a recognized independent appraiser selected by such other party to determine such Fair Market Sales Value. The two appraisers so appointed shall meet promptly to determine such Fair Market Sales Value of the Equipment (or in the event a party fails to appoint an appraiser within 30 days, such determinations shall be made promptly, and in any case within the next 20 days, by the appraiser appointed by such other party). If two appraisers are selected by the Lessor and the Lessee, and, within 30 days after the appointment of the second appraiser, the two appraisers shall be unable to agree upon such Fair Market Sales Value, a third recognized independent appraiser shall be chosen within five days thereafter by the mutual consent of such first two appraisers or if such first two appraisers fail to agree upon the appointment of a third appraiser within such five-day period, such appointment shall be made by the American Arbitration Association. The decision of the third appraiser so appointed and chosen shall be given within a period of 30 days after the selection of such third appraiser. Any decision in which the first two appraisers so appointed and acting hereunder concur (or, in the event that a second appraiser is not appointed as provided in this paragraph, the decision of the first appraiser appointed pursuant to this paragraph) shall in all cases be binding and conclusive upon the Lessor and the Lessee and, in the event that a third appraiser is appointed as aforesaid, the appraisal of such third appraiser shall in all cases be binding and conclusive on the Lessor and the Lessee. In

any appraisal pursuant to Section 10.1(b), the Lessor and the Lessee each shall pay the fees and expenses of the appraiser appointed by it and shall share equally the fees and expenses of the third appraiser, if any. In any appraisal pursuant to Section 13.1(d), the fees and expenses of all appraisers appointed hereunder shall be paid solely by the Lessee.

ARTICLE 14.

INSPECTION; NOTICE OF DEFAULT; RECORDATION

14.1. Inspection. At all reasonable times during the continuation of this Lease, the Lessee shall furnish to the Lessor and the Purchaser such additional information concerning the location, condition, use and operation of the Equipment as such Person may reasonably request. Additionally, the Lessee shall permit the authorized representatives of the Lessor and the Purchaser: at such Person's expense (unless a Headlease Default shall have occurred and be continuing, in which case, at the Lessee's expense), to visit and inspect any item of Equipment, its condition, use and operation and the inspection, maintenance, modification, overhaul and other records maintained in connection therewith; provided that such visits and inspections do not unreasonably interfere with the operations of the Lessee and are done at such reasonable times as such Person may request, except that the Lessee shall in any event make such Equipment and records available for inspection within five Business Days of the Lessor's request. Neither the Lessor nor the Purchaser shall have any duty to make any such inspection nor shall either of them incur any liability or obligation by reason of making or not making any such inspection.

14.2. Notice of Headlease Event of Default. Promptly after the Lessee has Actual Knowledge of the occurrence or existence of a Headlease Default or a Headlease Event of Default, the Lessee shall so notify the Lessor and the Purchaser, which notice shall set forth in reasonable detail the circumstances surrounding such Headlease Event of Default or Headlease Default and shall specify what actions the Lessee intends to take to cure such Headlease Event of Default or such Headlease Default.

14.3. Recordation. Forthwith upon the execution and delivery of a supplement to this Lease, the Lessee will cooperate with the Lessor to cause such supplement to be duly filed and recorded as directed by the Lessor and the Purchaser and will also cooperate with the Lessor and the Purchaser to cause this Lease Agreement to be duly filed and recorded as directed by the Lessor and the Purchaser, in each case as may be required by Applicable Law.

ARTICLE 15

RETURN

15.1. Obligation to Return. Unless a German Lessor Disposition shall have occurred, at the expiration of the Headlease Term or upon the earlier termination of this Lease pursuant to Article 12 or 13 hereof, the Lessee shall, at its own risk and expense, return all but not less than all items of Equipment then subject to this Lease to the Lessor at storage facilities of the Sublessee designated by the Sublessee, but reasonably satisfactory to the Lessor.

15.2. Logs and Other Records. Upon any return of any item of Equipment to the Lessor, the Lessee shall deliver to the Lessor all logs, manuals, certificates, data and inspection, modification and overhaul records which have been maintained with respect to such item of Equipment.

15.3. Condition Upon Return. The Equipment at the time when it is returned to the Lessor at the expiration of the Headlease Term, or pursuant to Section 13, shall be in good operating condition (commercially usable by other commuter rail operators) and appearance, ordinary wear and tear excepted, shall be in the configuration and condition required by Sections 5 and 6, shall meet the standards then in effect under the Interchange Rules of the Association of American Railroads (if applicable) and/or the applicable rules of any governmental agency or other organization having jurisdiction, and shall be free and clear of all Liens and all rights, claims and interests of others, excepting Lessor Liens attributable to the Lessor.

15.4. Storage. Upon the expiration or termination of the lease of any item of Equipment hereunder, the Lessee will provide storage of such Equipment beyond the Headlease Term, for a period not exceeding 90 days, at the Lessor's risk and (except with respect to storage charges) expense; provided, that upon a Headlease Event of Default hereunder the Lessee will provide storage of such Equipment solely at the Lessee's risk and at no expense to the Lessor but only for a period not exceeding 90 days after receipt by the Lessor of a notice from the Lessee to remove the Equipment. Ninety days following receipt by the Lessor of a notice to remove the Equipment all risk and expense associated with the storage of the Equipment shall be borne solely by the Lessor.

15.5. Work on Equipment. Subject to and without diminution of the Lessee's obligations under Section 15.4 or any

other provision of this Lease, upon the expiration or termination of the lease of any item of Equipment hereunder but prior to the later of the return of such item of Equipment or the expiration of any period during which such item of Equipment is stored pursuant to Section 15.4, the Lessee shall, upon the Lessor's written request, perform such work on such item of Equipment as the Lessor may reasonably request, to the extent reasonably possible without disruption to the Lessee's normal operations or its preexisting commitments (if any); provided, that the foregoing shall not be construed to extend the Lessee's storage obligation beyond the 90 days referred to in Section 15.4. The Lessor shall reimburse the Lessee for such work at reasonable rates.

ARTICLE 16

PURCHASE OPTION

Not fewer than 270 days prior to the end of the Headlease Term, the Lessee may deliver or cause to be delivered to the Lessor a written notice electing to purchase all (but not less than all) items of Equipment then subject to this Lease at a price equal to the lesser of (a) an amount equal to 10% of German Lessor's Purchase Price of the items of Equipment to be so purchased or (b) the Fair Market Sales Value thereof as of the expiration of the Headlease Term, and such election shall be irrevocable.

At the end of the Headlease Term, if the Lessee has elected to purchase the Equipment as aforesaid and no Headlease Default or Headlease Event of Default hereunder has occurred and is continuing, the Lessor shall Transfer the Equipment to the Lessee against payment by the Lessee of the purchase price in same day funds and the Lessor shall execute and deliver such documents evidencing such sale and Transfer as the Lessee shall reasonably request, but, in any event, by bill of sale providing that the Equipment is transferred and conveyed "AS IS, WHERE IS". THE LESSOR HAS NOT MADE AND SHALL NOT MAKE ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY, DURABILITY, DESIGN, OPERATION, FITNESS FOR A PARTICULAR PURPOSE OR USE, OR SUITABILITY OF THE EQUIPMENT, AND SHALL TRANSFER ALL OF ITS RIGHT, TITLE AND INTEREST IN SUCH ITEMS OF EQUIPMENT TO THE LESSEE "AS IS, WHERE IS", WITHOUT WARRANTY, EXPRESS OR IMPLIED, except that the Lessor will warrant to the Lessee that the Equipment is free and clear of Lessor Liens attributable to it.

In the event the Lessor has not received the purchase price within 10 Business Days after the end of the Headlease

Term, without limiting its rights consequent upon the Lessee's default, the Lessee's election to purchase the Equipment shall lapse and the Lessor shall have no obligations to sell and transfer the Equipment to the Lessee. The obligation of the Lessee to pay the purchase price upon an election to purchase the Equipment pursuant to this Article 16 is subject to the provisions of Section 1.3 of this Lease.

ARTICLE 17

ACKNOWLEDGMENT BY LESSEE

As provided in the Agreement to Purchase and Lease, the Lessor will sell and assign certain of its accounts receivable hereunder to the Purchaser pursuant to the Accounts Receivable Purchase Agreement. Such sale and assignment includes a security interest in this Headlease and in the Collateral the Lessee has pledged to the Lessor pursuant to the Collateral Assignment as security for the payment and performance of its obligations hereunder. The Lessee acknowledges the existence of, approves of and consents to such sale and assignment, and the Lessee acknowledges receipt of a copy of the Accounts Receivable Purchase Agreement.

ARTICLE 18

NOTICES

All notices, requests, consents, approvals, elections, demands and other communications required under the terms and provisions hereof shall be given in English and in writing and shall be deemed to have been sufficiently given for all purposes when delivered in hand or received by certified or registered mail, return receipt requested, postage prepaid, or by confirmed telex or other writing transmitted by means of a telecommunications device, addressed as follows: (i) if to the Lessee, at Four Embarcadero Center, Suite 1200, San Francisco, CA 94111, Attention: Manager, Operations Department LEV., (ii) if to the Lessor, at Taunusanlage 12, D-6000 Frankfurt am Main 1, Federal Republic of Germany, Telex: 417300 fmd, Telefax: 7150 4225, (iii) if to the Purchaser, at 2333 Waukegan Road, P.O. Box 329, Deerfield, IL 60015 Telecopy: (312) 948-5058 (domestic) and (312) 948-7272 ext. 2663 (international), and (iv) to any of the foregoing Persons at such other address as such Person may from time to time designate in writing to the other Persons in the manner herein provided.

Any notice, certificate, opinion or other communication required under the terms and provisions hereof to be given by the Lessee to the Lessor shall also be given to the Purchaser.

ARTICLE 19

CONSTRUCTION AND GOVERNING LAWS

19.1. Construction of this Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Any gap thus created shall be filled by application of a provision which best effects the purposes of this Agreement. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof. All references herein to numbered sections, exhibits and schedules, unless otherwise indicated, are to sections, exhibits or schedules, as the case may be, of or to this Lease.

19.2. Governing Law. This Lease has been delivered in the Federal Republic of Germany and shall be governed by, and construed in accordance with, the laws of the Federal Republic of Germany, including, without limitation, all matters of construction, validity and performance.

ARTICLE 20

LESSOR'S RIGHT TO TAKE EQUIPMENT

Without in any way limiting the obligations of the Lessee hereunder, the Lessee hereby irrevocably appoints the Lessor as its agent and attorney, with full power and authority at the time at which the Lessee is obligated to deliver possession of any item of Equipment to the Lessor, to demand and take possession of such item of Equipment in the name and on behalf of the Lessee from whosoever shall be at the time in possession thereof.

ARTICLE 21

COVENANT OF QUIET ENJOYMENT

So long as no Headlease Event of Default shall have occurred and be continuing, the Lessor covenants that it will not

interfere with the peaceful and quiet occupation and enjoyment of each item of Equipment by the Lessee.

ARTICLE 22

LESSOR LIENS

Subject to Section 1.3 hereof, the Lessor agrees that it will not directly or indirectly create, incur, assume or suffer to exist any Lessor Lien on or with respect to any item of Equipment.

ARTICLE 23

PERFORMANCE OF LESSEE

Subject to Section 1.3 hereof, the Lessee agrees to perform all of its obligations under all of the Operative Documents and Cross Border Documents to which it is a party.

ARTICLE 24

AMENDMENTS; MISCELLANEOUS

24.1. Amendments and Waivers. Neither the terms of this Lease nor the definition of any capitalized term used herein which is defined in, or by reference in, Restated Schedule X, as such capitalized term is used herein, shall be altered, modified, amended or supplemented, nor shall this Lease or any other terms hereof be waived or terminated, in any manner whatsoever except by written instrument signed by the party against which the enforcement of such alteration, modification, amendment, supplement, waiver or termination is sought and by the Purchaser; nor shall any remedy or election be exercised hereunder nor any consent given hereunder without the written consent of the Purchaser. No amendment to Restated Schedule X attached hereto shall become effective until a corresponding amendment is made to Restated Schedule X attached to each of the other Cross Border Documents to which it is so attached or until the parties to each such other Cross Border Document shall have waived this condition in writing with respect to such amendment.

24.2. Binding Effect. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

24.3. Money. All amounts and moneys referred to in

this Lease shall be construed to mean Dollars.

24.4. Counterparts. This Lease may be executed in any number of counterparts and by any of the parties hereto on separate counterparts, all of which together shall constitute but one and the same instrument.

24.5 Recourse to Lessor Limited. In no case whatsoever shall the Lessor be personally liable on, or for any loss in respect of, any of the representations, warranties, agreements or obligations of the Lessor hereunder as to all of which the parties hereto agree to look solely to the Equipment and the Collateral, except that the Lessor shall be personally liable to the extent specified in Sections 10.1(m) and 10.7 of the Agreement to Purchase and Lease.

IN WITNESS WHEREOF, the Lessor and the Lessee have each caused this Agreement to be duly executed, as a document under seal, as of the day and year first above written.

LESSOR:

DB EXPORT-LEASING GmbH

By: 

Name: Michael Kremer/Ulrich Stucke

Title: General Manager/Vice President

LESSEE:

SECURITY PACIFIC EQUIPMENT
LEASING, INC.

By: 

Name: Raleigh W. Klein

Title: Vice President-Finance & Treasurer

Commonwealth of Massachusetts)
) ss:
County of Suffolk)

On this 30th day of June, 1988, before me personally appeared MICHAEL KREMER, to me personally known, who being by me duly sworn, says that he is the GENERAL MANAGER of DB Export-Leasing GmbH, that said instrument was signed on behalf of said corporation, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Francis E. DeToro
My Commission expires 5/25/95

Commonwealth of Massachusetts)
) ss:
County of Suffolk)

On this 30th day of June, 1988, before me personally appeared ULRICH STUCKE, to me personally known, who being by me duly sworn, says that he is the VICE PRESIDENT of DB Export-Leasing GmbH, that said instrument was signed on behalf of said corporation, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Francis E. DeToro
My Commission expires 5/25/95

Commonwealth of Massachusetts)
County of Suffolk) ss:

On this 30th day of June, 1988, before me personally appeared RALEIGH W. KLEIN, to me personally known, who being by me duly sworn, says that he is VICE PRESIDENT - FINANCE & TREASURER of Security Pacific Equipment Leasing, Inc., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

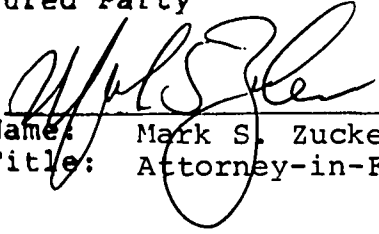
Frances E. Detwiler
My Commission expires 5/25/95

Uniform Commercial Code Chattel Paper Receipt

Receipt of the original counterpart of the foregoing
Lease is hereby acknowledged on this 30th day of June, 1988.

DEUTSCHE CREDIT CORPORATION, as
Secured Party

By


Name: Mark S. Zucker
Title: Attorney-in-Fact

ACCEPTANCE CERTIFICATE

In accordance with the terms of Article 2 of the Lease Agreement (the "Lease") entered into on June 25, 1988, between DB Export-Leasing GmbH, as lessor (the "Lessor"), and Security Pacific Equipment Leasing, Inc., as lessee, ("the Lessee"), the Lessee hereby certifies to the Lessor as follows:

1. The Lessee hereby accepts delivery from the Lessor of, and leases from the Lessor under the Lease, the items of Equipment described in the attached Annex 1.

2. The Lessee hereby confirms that the Effective Date (as such term is used in the Lease) and the Delivery Date (as such term is used in the Agreement to Purchase and Lease) is the date of this Acceptance Certificate set forth below.

3. The Lessee hereby confirms to the Lessor that the Lessee has accepted the Equipment for all purposes of the Lease as being in good working order and repair without defect or inherent vice in condition, design, operation or fitness for use; provided, that nothing contained herein or in the Lease shall in any way diminish or otherwise affect any right the Lessee or the Lessor may have with respect to the Equipment against the Manufacturer, or any subcontractor or supplier of the Manufacturer, under the Purchase Agreement or otherwise.

Dated:

SECURITY PACIFIC EQUIPMENT
LEASING, INC.
Lessee

By: MASSACHUSETTS BAY
TRANSPORTATION AUTHORITY
as agent

By: _____
Name:
Title:

ANNEX 1

Thirty-four commuter rail coaches manufactured by Messerschmitt-Bolkow-Blohm GmbH (the "Manufacturer") pursuant to the Purchase Agreement, dated August 27, 1985, as amended, between the Manufacturer and Massachusetts Bay Transportation Authority ("Sublessee"), identified by Sublessee and Manufacturer vehicle identification numbers and having the cost more particularly described as follows:

<u>Sublessee Identification Number</u>	<u>Manufacturer's Identification Number</u>	<u>Unit Type</u>	<u>Cost</u>
1500	02091	CTC-3	\$992,000
500	02108	BTC-3	849,000
1501	02092	CTC-3	992,000
501	02109	BTC-3	849,000
1502	02093	CTC-3	992,000
502	02110	BTC-3	849,000
1503	02094	CTC-3	992,000
503	02111	BTC-3	849,000
1504	02095	CTC-3	992,000
504	02112	BTC-3	849,000
1505	02096	CTC-3	992,000
505	02113	BTC-3	849,000
1506	02097	CTC-3	992,000
506	02114	BTC-3	849,000
1507	02098	CTC-3	992,000
507	02115	BTC-3	849,000
1508	02099	CTC-3	992,000
508	02116	BTC-3	849,000
1509	02100	CTC-3	992,000
509	02117	BTC-3	849,000
1510	02101	CTC-3	992,000
510	02118	BTC-3	849,000
1511	02102	CTC-3	992,000
511	02119	BTC-3	849,000
1512	02103	CTC-3	992,000
512	02120	BTC-3	849,000
1513	02104	CTC-3	992,000
513	02121	BTC-3	849,000
1514	02105	CTC-3	992,000
514	02122	BTC-3	849,000
1515	02106	BTC-3	849,000
515	02123	CTC-3	992,000
1516	02107	BTC-3	849,000
516	02124	CTC-3	992,000
		Total	<u>\$31,297,000</u>

Exhibit B
to Lease

HEADLEASE STIPULATED LOSS VALUES

<u>Headlease Stipulated Loss Value Date</u>	<u>Headlease Stipulated Loss Value Percentage</u>	<u>Headlease Stipulated Loss Value Date</u>	<u>Headlease Stipulated Loss Value Percentage</u>
6/30/1988	105.49099	12/30/1997	80.75779
12/30/1988	108.87120	6/30/1998	77.65362
6/30/1989	112.76395	12/30/1998	74.43658
12/30/1989	113.34249	6/30/1999	71.08790
6/30/1990	112.48170	12/30/1999	67.62179
12/30/1990	111.40408	6/30/2000	64.01922
6/30/1991	110.09407	12/30/2000	60.29331
12/30/1991	108.67013	6/30/2001	56.42452
6/30/1992	107.06986	12/30/2001	52.42513
12/30/1992	105.27133	6/30/2002	48.27479
6/30/1993	103.32243	12/30/2002	43.98525
12/30/1993	101.29719	6/30/2003	39.53488
6/30/1994	99.13824	12/30/2003	34.93164
12/30/1994	96.87093	6/30/2004	30.15503
6/30/1995	94.47415	12/30/2004	25.30864
12/30/1995	91.97007	6/30/2005	20.29857
6/30/1996	89.33871	12/30/2005	15.18542
12/30/1996	86.59960	6/30/2006	10.00000
6/30/1997	83.73351		

Schedule 1
to Lease

Basic Headlease Rent

<u>Date</u>	<u>No.</u>	<u>Percentage Rate</u>	<u>Date</u>	<u>No.</u>	<u>Percentage Rate</u>
6/30/1988	0	0	12/30/1997	19	5.847305
12/30/1988	1	5.847305	6/30/1998	20	5.847305
6/30/1989	2	5.847305	12/30/1998	21	5.847305
12/30/1989	3	5.847305	6/30/1999	22	5.847305
6/30/1990	4	5.847305	12/30/1999	23	5.847305
12/30/1990	5	5.847305	6/30/2000	24	5.847305
6/30/1991	6	5.847305	12/30/2000	25	5.847305
12/30/1991	7	5.847305	6/30/2001	26	5.847305
6/30/1992	8	5.847305	12/30/2001	27	5.847305
12/30/1992	9	5.847305	6/30/2002	28	5.847305
6/30/1993	10	5.847305	12/30/2002	29	5.847305
12/30/1993	11	5.847305	6/30/2003	30	5.847305
6/30/1994	12	5.847305	12/30/2003	31	5.847305
12/30/1994	13	5.847305	6/30/2004	32	5.847305
6/30/1995	14	5.847305	12/30/2004	33	5.847305
12/30/1995	15	5.847305	6/30/2005	34	5.847305
6/30/1996	16	5.847305	12/30/2005	35	5.847305
12/30/1996	17	5.847305	6/30/2006	36	5.847305
6/30/1997	18	5.847305			

RESTATED SCHEDULE X

RESTATED SCHEDULE X

The following terms shall have the respective meanings set forth below:

"Acceptance Certificate" means an Acceptance Certificate substantially in the form of Exhibit A to the Headlease, delivered pursuant to Section 2.3 of the Headlease.

"Accounts Receivable Purchase Agreement" means the Accounts Receivable Purchase Agreement No. 1, dated June 25, 1988, between the Purchaser and the German Lessor, as such Accounts Receivable Purchase Agreement No. 1 may be amended, modified or supplemented in accordance with the terms thereof.

"Accounts Receivable Purchase Agreement No. 2" means the Accounts Receivable Purchase Agreement No. 2, dated June 25, 1988, between the Purchaser and the U.S. Lessor, as such Accounts Receivable Purchase Agreement No. 2 may be amended, modified or supplemented in accordance with the terms thereof.

"Actual Knowledge" means (a) with respect to the Sublessee, actual knowledge of its Chairman, General Manager, Treasurer-Controller, or Director of Railroad Operations, (b) with respect to the U.S. Lessor, actual knowledge of the President, any Vice President, Treasurer, Secretary and any Contract Administrator (whether or not any such title is preceded by any modifier such as Assistant) and (c) with respect to the German Lessor, actual knowledge of any General Manager. "Actual Knowledge" shall be deemed to exist following receipt of written notice of a fact, event, condition or other circumstance by any such Person.

"Additional Investment" has the meaning specified in Section 8.1 of the Sublease.

"Additions" has the meaning specified in Article 6 of the Sublease.

"Affiliate", of any Person, means any other Person controlling, controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"After-tax Basis," or "after-tax basis," or similar term, means, when used with respect to the payment of any amount

and a requirement or contemplation that a gross amount paid shall produce a net amount received and retained by the recipient after payment or proper provision for Taxes and any other taxes imposed on the disbursement or receipt of such gross amount, that gross amount which, after deduction of all Taxes and any other taxes imposed by any jurisdiction or other taxing authority upon or measured by, or otherwise resulting from, the disbursement or receipt of such gross amount or any part thereof, will provide such net amount to the recipient, free of all Taxes and taxes.

"Agreement to Purchase and Lease" means the Agreement to Purchase and Lease, dated as of June 25, 1988, among the Sublessee, the U.S. Lessor, the German Lessor, the Purchaser, the Indenture Trustee and the Original Noteholder.

"Applicable Law" means all applicable laws, treaties, judgments, decrees, injunctions, writs and other orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority and, with respect to the Equipment shall include the rules in effect from time to time of the American Association of Railroads.

"Authorized Investments" means (a) readily marketable obligations of, or fully and unconditionally guaranteed (as to both principal and interest) by, the United States of America and having a maturity not in excess of one Business Day from the date of acquisition thereof; (b) certificates of deposit (having a maturity not in excess of 30 days from the date of acquisition thereof) evidencing direct obligations of any commercial bank or trust company organized in the United States of America and having capital, surplus and undivided profits of at least \$1,000,000,000; and (c) so-called money market funds, banker's acceptances or similar obligations (having a maturity not in excess of 30 days) issued by the Purchaser.

"Base Rate" means the interest rate per annum announced and made effective from time to time by Security Pacific National Bank, at its principal office in Los Angeles, California, as the prime rate or, as the case may be, the base, reference or other similar rate then designated by it for general commercial lending reference purposes, it being understood that such rate is a reference rate, not necessarily the lowest, which serves as the basis upon which effective rates of interest are calculated for obligations making reference thereto.

"Basic Headlease Rent" means the rent payable for the Equipment pursuant to and as defined in Section 8.1 of the Headlease.

"Basic Sublease Rent" means the rent payable for the Equipment with respect to the Basic Sublease Term pursuant to and as defined in Section 8.1 of the Sublease, subject to adjustments as provided in Sections 8.1 and 8.6 of the Sublease and in the Tax Indemnity Agreement.

"Basic Sublease Term" means the period beginning on January 30, 1988 and ending December 30, 2012 or such earlier date as the Sublease shall be terminated as provided therein, including any termination of the Sublease pursuant to Section 2.7 thereof.

"Board" means the Board of Directors of the Sublessee.

"Board Resolution" means a resolution of the Board certified by the Secretary or Assistant Secretary of the Sublessee to have been duly adopted by the Board and to be in full force and effect on the date of such certification.

"Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banking institutions in the City of Boston, Massachusetts, the City of San Francisco, California, or The City of New York, New York or (with reference to any payment to be made to the German Lessor) the City of Frankfurt am Main, Federal Republic of Germany, are authorized by law to be closed. Any reference herein to "days" (unless Business Days are specified) shall mean calendar days.

"CFA Amendment" means the Consent and Agreement of the Commonwealth (agreed to by the Sublessee), dated the Effective Date, amending the Contract for Financial Assistance.

"Code" means the Internal Revenue Code of 1986, as from time to time amended, and any redesignated or successor provisions, except that references to Section 168 and Section 103 of the Code shall refer to such provisions of the Internal Revenue Code of 1954 as amended by the Tax Equity and Fiscal Responsibility Act of 1982 as continue to apply to the determination of certain of the U.S. Lessor's Tax Benefits as a consequence of the provisions of Section 31(g)(5) of the Deficit Reduction Act of 1984 and Section 204(a)(4) of the Tax Reform Act of 1986.

"Collateral" has the meaning specified in the granting clause of the Collateral Assignment.

"Collateral Assignment Default" means an event or condition which, with notice or lapse of time or both, would constitute a Collateral Assignment Event of Default.

"Collateral Assignment Event of Default" has the meaning specified in Section 4.2 of the Collateral Assignment.

"Collateral Assignment" means the Collateral Assignment and Security Agreement, dated as of June 25, 1988, between the U.S. Lessor and the German Lessor, as such Collateral Assignment and Security Agreement may from time to time be supplemented, amended or modified in accordance with the terms thereof.

"Commitment", of each Participant, means the amount set forth opposite such Participant's name in Schedule 1 to the Participation Agreement in the column relating to "Commitments".

"Commonwealth" means The Commonwealth of Massachusetts.

"Consent and Agreement of Lessee" means the Consent and Agreement of the Lessee, dated as of the Delivery Date, between the U.S. Lessor and the Sublessee, as such Consent and Agreement of Lessee has been amended and restated as of the Effective Date and may from time to time be further amended, modified or supplemented in accordance with the terms thereof.

"Contract Assistance Provisions" has the meaning specified in Section 8.7 of the Sublease.

"Contract for Financial Assistance" means an agreement, dated December 30, 1987 between the Sublessee and the Commonwealth, with respect to the Participation Agreement and the transactions contemplated thereby, as such agreement may from time to time be supplemented, amended or modified in accordance with its terms.

"Cost Recovery Deductions" has the meaning specified in Section 2 of the Tax Indemnity Agreement.

"Cross Border Transaction" means the transfer of the Equipment by the U.S. Lessor to the German Lessor, the lease of the Equipment by the German Lessor to the U.S. Lessor under the Headlease and the related transactions contemplated in the Agreement to Purchase and Lease.

"Cross Border Documents" has the meaning specified in Section 4(c) of the Agreement to Purchase and Lease.

"DBAG Letter Agreement" means the letter agreement, dated June 30, 1988, from Deutsche Bank A.G. in favor of the Sublessee and the U.S. Lessor relating to the Profit Transfer Agreement between Deutsche Bank A.G. and the German Lessor.

"DCC Accounts Receivable" has the meaning specified in Section 2 of the Accounts Receivable Purchase Agreement.

"Delivery Date" means December 31, 1987.

"Designated Payment Date" has the meaning specified in Sections 13(d) of the Sublease and of the Headlease.

"Destroyed Equipment" has the meaning specified in Sections 10.1(b) of the Sublease and of the Headlease.

"Dollars" or "\$" means lawful currency of the United States of America.

"Effective Date" means June 30, 1988.

"Equipment" means the 34 Messerschmitt-Bolkow-Blohm commuter rail coaches manufactured by the Manufacturer and sold to the Sublessee pursuant to the Purchase Agreement, sold by the Sublessee to the U.S. Lessor and leased by the U.S. Lessor to the Sublessee under the Lease and Lease Supplement No. 1 pursuant to the Participation Agreement and to be transferred by the U.S. Lessor to the German Lessor and then leased by the German Lessor to the U.S. Lessor pursuant to the Headlease, the Sublessee's and Manufacturer's serial numbers of such commuter rail coaches being specified in Lease Supplement No. 1, together with Parts; and any commuter coach(es), parts or other items of Equipment which may from time to time be substituted for any commuter rail coach(es) or other items of Equipment pursuant to Sections 10.1(b) of the Sublease and the Headlease. An "item of Equipment" means any one or more such commuter rail coaches or Parts, as the context may require.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Event of Loss", with respect to any item of Equipment, means any of the following events with respect to such item of Equipment: (a) the loss of such item of Equipment or of the use thereof due to the destruction of, or damage beyond repair to such item of Equipment which (in the good faith and reasonable opinion of the Sublessee) renders it permanently unfit for normal use by the Sublessee for any reason whatsoever, such determination to be made promptly after the occurrence of such event and to be evidenced by an Officer's Certificate of the Sublessee delivered to the U.S. Lessor, the German Lessor and the Purchaser; (b) the loss of the use for 180 consecutive days or more of such item of Equipment due to wear or damage which in the good faith and reasonable opinion of the Sublessee can and will be repaired; (c) any damage to such item of Equipment which

results in an insurance settlement with respect to such item of Equipment on the basis of a total loss or a constructive or compromised total loss; (d) the requisition of title to or the loss of title to such item of Equipment; (e) the confiscation, condemnation or seizure of, or the requisition for use of, such item of Equipment which shall have resulted in the loss of possession of such item of Equipment for 180 consecutive days or more; or (f) the theft or disappearance of such item of Equipment which shall have resulted in the loss of possession of such item of Equipment by the Sublessee for 60 consecutive days or more.

"Excepted Rights" means the non-exclusive rights of the U.S. Lessor to obtain relief and recovery from and to pursue and enforce against the Sublessee the remedies enumerated in clauses (2) and (3) of Article 13(e) of the Sublease, at law, in equity and/or in bankruptcy or any insolvency proceeding, including without limitation, mandamus proceedings, together with any action in the nature of declaratory relief to construe the terms of the Operative Documents and the Cross Border Documents as they affect the relative rights of the U.S. Lessor and Sublessee only and/or any laws or statutes with respect to the Overall Transaction and the Cross Border Transaction as they affect the relative rights of the U.S. Lessor and the Sublessee only with respect to the payment of damages, costs and indemnities due the U.S. Lessor under the Sublease, the Agreement to Purchase and Lease, including without limitation to Sections 10.2 and 10.3 thereof, the VAT Agreement, and/or the Tax Indemnity Agreement, and to require the Sublessee specifically to perform all of its obligations under the Operative Documents and the Cross Border Documents. Notwithstanding the foregoing, Excepted Rights shall not be deemed to preclude the simultaneous exercise of such rights by the German Lessor against the Sublessee, and shall not be exercisable by the U.S. Lessor in a manner inconsistent with the rights of the German Lessor to pursue and enforce its rights as the full assignee of the Sublease pursuant to the terms of the Collateral Assignment.

"Excluded German Taxes" means any taxes imposed by the Federal Republic of Germany on any payment of Headlease Rent or Sublease Rent solely by reason of the Federal Republic of Germany treating such payment as having been made to the Purchaser by or on behalf of the German Lessor.

"Excluded Payments" means (a) indemnity payments (i) paid or payable by the Sublessee to or on behalf of the U.S. Lessor as Sublease Rent (specifically including any Sublease Rent or other payment required to be paid by the Sublessee to the U.S. Lessor pursuant to Section 10.2 or 10.3 of the Agreement to Purchase and Lease and any amounts required to be paid by the Sublessee to the U.S. Lessor pursuant to the VAT Agreement and

the Tax Indemnity Agreement) or (ii) paid or payable by the U.S. Lessor or the Sublessee to the German Lessor as Headlease Rent under the Headlease or under the Collateral Assignment or the Agreement to Purchase and Lease, (b) adjustments to Basic Sublease Rent and Sublease Stipulated Loss Value as a result of an Additional Investment pursuant to Section 8.1 of the Sublease to reflect certain Transaction Costs and (c) amounts payable pursuant to Section 3(d)(iv) of the Purchase Agreement Assignment.

"Execution Date" means December 30, 1987.

"Funding Date" means the Delivery Date.

"German Lessor" means DB Export-Leasing GmbH, a German company, and its successors and permitted assigns.

"German Lessor Disposition" means the consummation of the transaction contemplated in Article 16, clause Third of Section 13.2 or paragraph (a) of Section 10.1 (as to all of the Equipment) of the Headlease or Section 2.2 of the Collateral Assignment.

"German Lessor Security Agreement" means the Security Agreement, dated as of the Effective Date, between the German Lessor, as debtor, and the U.S. Lessor, as secured party, as such Security Agreement may be amended, modified or supplemented in accordance with the terms thereof.

"German Lessor's Purchase Price" means with respect to any item of Equipment, the amount specified as the cost of such item in Annex 1 attached to the Acceptance Certificate.

"Headlease" means the Lease Agreement, dated as of June 25, 1988 between the German Lessor, as lessor, and the U.S. Lessor, as Lessee, as such Lease Agreement may be amended, modified or supplemented in accordance with the terms thereof.

"Headlease Default" means an event or condition which, with the giving of notice or lapse of time or both, would constitute a Headlease Event of Default.

"Headlease Event of Default" has the meaning specified in Section 12 of the Headlease.

"Headlease Rent" means Basic Headlease Rent and Supplemental Headlease Rent.

"Headlease Stipulated Loss Value" as of any Headlease Stipulated Loss Value Date during the Headlease Term, means, with respect to any item of Equipment, an amount determined by multiplying German Lessor's Purchase Price thereof by the percentage specified in Exhibit B to the Headlease opposite the Headlease Stipulated Loss Value Date with respect to which the amount is determined. Anything contained in the Headlease (including Exhibit B thereto) to the contrary notwithstanding, the Headlease Stipulated Loss Value for the Equipment as of each such date shall in no event be less than an amount at least sufficient to pay in full the DCC Accounts Receivable receivable by the Purchaser on such date.

"Headlease Stipulated Loss Value Date" means each date set forth on Exhibit B to the Headlease.

"Headlease Term" means, with respect to the Headlease, the term for which any item of Equipment is leased thereunder.

"Indemnified Persons" means the U.S. Lessor, the German Lessor, the Purchaser, the Collateral and their respective successors, assigns, agents, partners and the servants and employees of each thereof.

"Indenture" means the Trust Indenture and Security Agreement, dated as of the Execution Date, between the U.S. Lessor and the Indenture Trustee, as amended or supplemented by Trust Indenture Supplement No. 1, dated the Delivery Date, between the U.S. Lessor and the Indenture Trustee.

"Indenture Estate" means the property granted to the Indenture Trustee pursuant to the Granting Clause of the Indenture (but excluding from the Indenture Estate all Excluded Payments and Excepted Rights).

"Indenture Trustee" means Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity (except as set forth in the Participation Agreement) but solely as indenture trustee under the Indenture, and, to the extent permitted by the Indenture, its successors and assigns.

"Interim Rent" means the Rent payable pursuant to Section 8.1(a)(1) of the Lease.

"Interim Term" means, with reference to the Lease, the period commencing on the Delivery Date and expiring on January 29, 1988.

"Interest Deductions" has the meaning specified in Section 2 of the Tax Indemnity Agreement.

"Investment Grade" means, as to the Sublessee's long-term, unsecured tax-exempt debt, those obligations which are rated Baa or higher by Moody's or BBB or higher by S&P. For purposes of this definition, "Moody's" means Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns; and S&P means Standard & Poor's Corporation, a New York corporation, its successors and assigns. If either Moody's or S&P shall for any reason no longer perform the functions of a securities rating agency, "Moody's" or "S&P", as the case may be, shall be deemed to refer to any other nationally recognized rating agency designated by the Sublessee and satisfactory to the U.S. Lessor and in such event the rating by such agency shall be equivalent to Baa or higher by Moody's or BBB or higher by S&P.

"Lease" means the Lease Agreement, dated as of December 30, 1987, between the U.S. Lessor, as lessor, and the Sublessee, as lessee, as amended and supplemented by Lease Supplement No. 1.

"Lease Supplement No. 1" means Lease Supplement No. 1, dated December 31, 1987, between the U.S. Lessor and the Sublessee, and identifying the items of Equipment subject to the Lease.

"Lessor Lien" or "Lessor's Liens" means any Lien or disposition of title which results from a claim against or act of the U.S. Lessor or the German Lessor that is not a claim against or act of the Sublessee and either (a) results from claims against the U.S. Lessor or the German Lessor not related to the Overall Transaction or the Cross Border Transaction, (b) results from an affirmative act of the U.S. Lessor or the German Lessor which is neither required or permitted to be taken by the U.S. Lessor or the German Lessor, as the case may be, pursuant to a provision of any Operative Document or any Cross Border Document nor consented to by the Sublessee nor taken as a result of the occurrence and continuance of a Sublease Event of Default as permitted under the Sublease or a Headlease Event of Default as permitted under the Headlease, or (c) results from nonpayment by the U.S. Lessor or the German Lessor of any taxes imposed on such Person or the consolidated group of taxpayers of which such Person is a part which the Sublessee is not required to indemnify against pursuant to any of the Operative Documents or the Cross Border Documents or is so required and has made such indemnification payment.

"Lessor's Cost", as of any date means, with respect to any item of Equipment, the Lessor's Purchase Price thereof

plus Transaction Costs, as such aggregate amount may be adjusted to reflect each Additional Investment or Reduced Investment pursuant to Section 8.1 of the Sublease.

"Lessor's Purchase Price" means, with respect to any item of Equipment, the amount specified as such as the cost of such item in Annex 1 attached to Lease Supplement No. 1, being the sum of (a) an amount equal to the aggregate payments for such item of Equipment made to or on behalf of the Sublessee by the U.S. Lessor pursuant to the Participation Agreement on or prior to the Delivery Date thereof, as specified in invoices and/or bills of sale, and (b) any taxes applicable to the purchase of such item of Equipment by the U.S. Lessor which must be capitalized for Federal tax purposes, including, without limitation, sales, use, excise or similar taxes.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, security interest or lease in the nature thereof (including any conditional sale agreement, equipment trust agreement or other title retention agreement).

"Majority Noteholders", as of a particular date of determination, means the Noteholders (other than the U.S. Lessor, if a Noteholder) holding more than 50% in aggregate unpaid principal amount of all Notes, if any, outstanding as of such date. If one or more but less than all of the Notes are owned or controlled by the U.S. Lessor (or an Affiliate thereof), then the other Noteholders who are not the U.S. Lessor (or Affiliates thereof) shall have sole power to vote such Notes and to take other similar action with respect thereto (such power to be divided among such other Noteholders based on the respective unpaid aggregate principal amount of Notes held by each of them).

"Manufacturer" means Messerschmitt-Bolkow-Blohm GmbH, a German company, and its successors and assigns.

"Manufacturer's Consent" means the Consent and Agreement, dated as of June 27, 1988, by the Manufacturer to the assignment by the U.S. Lessor to the German Lessor pursuant to the Collateral Assignment, by the German Lessor to the Purchaser pursuant to the Accounts Receivable Purchase Agreement and by the Purchaser to the U.S. Lessor pursuant to Accounts Receivable Purchase Agreement No. 2 of certain of the Sublessee's right, title and interest in, to and under the Purchase Agreement with respect to the Equipment.

"Net Economic Return" has the meaning specified in Section 1 of the Tax Indemnity Agreement.

"Notes" means the Series A Notes and the Series B Notes.

"Noteholders" means the Original Noteholder (only so long as such Person is the registered holder of a Note) and each other holder from time to time of a Note.

"Obsolete Parts" has the meaning specified in Articles 6 of the Headlease and of the Sublease.

"Officer's Certificate" means (a) with respect to the Sublessee, a certificate executed on behalf of the Sublessee by its duly authorized Chairman, General Manager, Treasurer, Controller or General Counsel (or by any duly authorized person holding any such office in an "Acting" capacity), signing alone; (b) with respect to the U.S. Lessor, a certificate executed on behalf of the U.S. Lessor by the duly authorized President or any Vice President, Treasurer or Secretary or Contract Administrator (whether or not any such title is preceded by any modifier such as Assistant), signing alone; (c) with respect to the German Lessor, a certificate executed on behalf of the German Lessor by any two of its duly authorized General Managers; and (d) with respect to the Purchaser, a certificate executed on behalf of the Purchaser by the duly authorized President or any Vice President, Treasurer or Secretary (whether or not any such title is preceded by any modifier such as Executive, Senior or Assistant).

"Operative Documents" means the Participation Agreement, the Indenture, the Lease, the Contract for Financial Assistance, the Sublessee's Assignment, the Consent and Agreement of Sublessee, the Tax Indemnity Agreement, the Purchase Agreement and the Purchase Agreement Assignment.

"Original Noteholder" means New England Merchants Funding Corporation, a Massachusetts corporation.

"Original Noteholder Note" means the Series A Variable Rate, Registered, Non-Recourse Secured Note due January 30, 2010 in the principal amount of \$22,938,858.49 issued by the U.S. Lessor to the Original Noteholder.

"Original Participation" of a Participant in the Equipment, means the amount paid by such Participant pursuant to Section 2 of the Participation Agreement as such Participant's participation in the payment of the Lessor's Purchase Price of the Equipment.

"Overall Transaction" means the manufacture, purchase, ownership, financing, leasing, operation, maintenance, storage, return and disposition of the Equipment as described and contemplated by the Operative Documents.

"Overdue Interest Rate" means the rate per annum equal to the sum of one and one-half (1-1/2) percentage points plus the higher of (i) the Base Rate plus 1.5% or (ii) 10.5% per annum.

"Participants" means the U.S. Lessor and the Original Noteholder.

"Participation Agreement" means the Participation Agreement, dated as of the Execution Date, among the Sublessee, the U.S. Lessor, the Original Noteholder and the Indenture Trustee.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature so long as the same shall be incorporated or installed in or attached to any item of Equipment or so long as title thereto shall remain vested in the German Lessor in accordance with Section 5.3 or Article 6 of the Headlease after removal from such item of Equipment; provided, that in no event shall any appliance, part, instrument, appurtenance, accessory, furnishing or other equipment that does not become a portion of the Equipment, in accordance with Section 5.3 or Article 6 of the Headlease, constitute a Part.

"Permitted Liens" means (a) the Lien of the Collateral Assignment, (b) the subordinate rights of others under agreements or arrangements to the extent expressly permitted by the terms of Sections 4.2 of the Headlease and of the Sublease and Section 4.3(a) of the Collateral Assignment, (c) Lessor Liens, (d) Liens for taxes, assessments, charges or other governmental levies either not yet due or being contested in good faith by appropriate proceedings promptly initiated and diligently prosecuted but only so long as (i) such proceedings do not involve any material danger of the sale, forfeiture or loss of any item of Equipment, or any interest therein, and (ii) adequate reserves are maintained in accordance with applicable accounting principles with respect to such Liens, (e) materialmen's, mechanics', carriers', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is not overdue for a period in excess of 30 days or is being contested in good faith by appropriate proceedings promptly initiated and diligently prosecuted but only so long as (i) such proceedings do not involve any danger of the sale, forfeiture or loss of any item of

Equipment, or any interest therein and (ii) adequate reserves are maintained in accordance with applicable accounting principles with respect to such Liens, and (f) Liens arising out of judgments or awards against the Sublessee with respect to which an appeal or proceeding for review is being diligently prosecuted in good faith and with respect to which a stay of execution shall have been secured or an appeal bond shall have been filed pending such appeal or proceeding for review but only so long as (i) such proceedings do not involve any danger of the sale, forfeiture or loss of any item of Equipment, or any interest therein, and (ii) adequate reserves are maintained in accordance with applicable accounting principles with respect to such judgments or awards.

"Person" means an individual, a corporation, a partnership, an unincorporated organization, an association, a joint stock company, a joint venture, a trust, an estate, a government or any agency or political subdivision thereof or any other entity.

"Prime Rate" means the interest rate per annum announced and made effective from time to time by Security Pacific National Bank, at its principal office in Los Angeles, California, as the prime rate or, as the case may be, the base, reference or other similar rate then designated by it for general commercial lending reference purposes, it being understood that such rate is a reference rate, not necessarily the lowest, which serves as the basis upon which effective rates of interest are calculated for obligations making reference thereto.

"Purchase Agreement" means the Agreement, dated August 7, 1985, between the Manufacturer and the Sublessee, as amended, modified and supplemented on or prior to the Delivery Date, providing, among other things, for the manufacture by the Manufacturer and sale to the Sublessee of the Equipment, as such Agreement may thereafter from time to time be amended, modified or supplemented in accordance with the applicable provisions thereof and of the Purchase Agreement Assignment.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment, dated as of the Delivery Date, between the Sublessee and the U.S. Lessor (together, prior to the Effective Date, with the Consent and Agreement of the Manufacturer attached thereto and, after the Effective Date, with the Manufacturer's Consent), assigning to the U.S. Lessor certain of the Sublessee's right, title, and interest in, to and under the Purchase Agreement with respect to the Equipment, as such Purchase Agreement Assignment may from time to time be supplemented, amended or modified to the extent permitted by and in accordance with the terms thereof and of the Agreement to Purchase and Lease and the Collateral Assignment.

"Purchaser" means Deutsche Credit Corporation, a Delaware corporation, and its successors and assigns.

"Reduced Investment" has the meaning specified in Section 8.1 of the Sublease.

"Regulations" means the Treasury Regulations, as amended, promulgated under the Code or other Federal tax statutes (as referred to in clause (i) of the definition of "Tax Laws" in this Schedule X) by the Treasury Department of the United States of America.

"Renewal Rent" with respect to the first, three-year Renewal Term provided for in section 2.5 of the Sublease, means an amount equal to the lesser of (i) 50% of the average Basic Rent over the Basic Term of the Lease and (ii) the fair market rental value of the Renewal Equipment determined in accordance with the Sublease. "Renewal Rent" with respect to the second, seven-year Renewal Term provided for in Section 2.5 of the Sublease means the fair market rental value of the Renewal Equipment.

"Renewal Term" means, with respect to the Sublease, the three-year renewal term provided for in Section 2.5 of the Sublease beginning on December 31, 2012, and ending on December 30, 2015 and, if applicable, the seven-year renewal term provided for in Section 2.5 of the Sublease beginning on December 31, 2015 and ending on December 30, 2022.

"Rent Payment Date" means June 30, 1988, and each December 30 and June 30 thereafter, to and including the day after the last date included within, in the case of the Headlease, the Headlease Term and, in the case of the Sublease, the Sublease Term.

"Restated Consent and Agreement of the Lessee" means the agreement, dated the Effective Date, between the U.S. Lessor and the Sublessee, amending and restating the Consent and Agreement of the Lessee.

"Restated Sublessee's Assignment" means the agreement, dated the Effective Date, between the U.S. Lessor and the Sublessee, amending and restating the Lessee's Assignment.

"Satisfaction of Mortgage" means the Satisfaction of Mortgage, dated the Effective Date, executed by the Indenture Trustee evidencing the final discharge and satisfaction of the Indenture.

"Series A Notes" means the Series A Notes, each to be in substantially the form therefor set forth in Section 2.01(a) of the Indenture, issued by the U.S. Lessor pursuant to Section 2.02 of the Indenture to the Original Noteholder in the principal amount, bearing interest at the rates and payable as to principal and interest as provided in said Section 2.02, and secured as provided in the Granting Clause of the Indenture, and shall include any Series A Notes issued in exchange therefor or in replacement thereof pursuant to Sections 2.07 or 2.08 of the Indenture.

"Series B Notes" means the Series B Notes, each to be in substantially the form therefor set forth in Section 2.01(b) of the Indenture, issued by the U.S. Lessor pursuant to Section 2.13 of the Indenture in the principal amounts, bearing interest at the rates and payable as to principal and interest as provided in said Section 2.13, and secured as provided in the Granting Clause of the Indenture, and shall include any Series B Notes issued in exchange therefor or in replacement thereof pursuant to Sections 2.07 or 2.08 of the Indenture.

"SP Accounts Receivable" has the meaning specified in Section 2 of the Accounts Receivable Purchase Agreement No. 2.

"Special Event of Default" has the meaning set forth in Section 4.02 of the Indenture.

"Sublease" means the Lease, as amended and restated as of June 25, 1988, as the Lease (as so amended and restated) may from time to time be further amended, supplemented or modified in accordance with the terms thereof.

"Sublease Default" means an event or condition which, with the giving of notice or lapse of time or both, would constitute a Sublease Event of Default.

"Sublease Events of Default" has the meaning specified in Article 12 of the Sublease.

"Sublease Rent" means Interim Rent, Basic Sublease Rent, Renewal Rent and Supplemental Sublease Rent.

"Sublease Stipulated Loss Value" as of any Sublease Stipulated Loss Value Date during the Basic Sublease Term, means, with respect to any item of Equipment, an amount determined by multiplying Lessor's Purchase Price thereof by the percentage specified in Exhibit B to the Sublease opposite the Sublease Stipulated Loss Value Date with respect to which the amount is determined, subject to adjustment as provided in Sections 8.1 and 8.5 of the Sublease. As of any Sublease Stipulated Loss Value

Date during the first, three-year Renewal Term the Sublease Stipulated Loss Value shall be an amount equal to the greater of (i) the then fair market sales value of the Equipment or (ii) 20% of the Lessor's Purchase Price thereof. The Sublease Stipulated Loss Value at June 30, 2016 shall be equal to the then fair market sales value of the Equipment, and as of each subsequent Sublease Stipulated Loss Value Date during the second, seven-year Renewal Term shall be equal to an amount determined (1) by estimating at December 30, 2015 the fair market sales value of the Equipment at December 30, 2022 and (2) equitably and ratably reducing at each such Sublease Stipulated Loss Value Date the amount of the fair market sales value at June 30, 2016 to such fair market sales value at December 30, 2022. Anything contained in the Sublease (including Exhibit B thereto) to the contrary notwithstanding, the Sublease Stipulated Loss Value for the Equipment as of each such date shall in no event be less than an amount at least sufficient to pay in full the aggregate unpaid principal amount of the Headlease Stipulated Loss Value due as of such date.

"Sublease Stipulated Loss Value Date" means (i) for the Basic Sublease Term each date set forth on Exhibit B to the Sublease, (ii) for the first Renewal Term, June 30, 2013 and each December 30 and June 30 thereafter to and including December 30, 2015, and (iii) for the second Renewal Term, June 30, 2016 and each December 30 and June 30 thereafter to and including December 30, 2022.

"Sublease Term" means, with respect to the Sublease, the term, including the Interim Term and any Renewal Term, if any, for which any item of the Equipment is leased thereunder.

"Sublessee" means Massachusetts Bay Transportation Authority, a body politic and corporate and a political subdivision of the Commonwealth, and its successors and, to the extent permitted by the Lease, assigns.

"Sublessee's Assignment" means the Lessee's Assignment, dated as of the Delivery Date, between the U.S. Lessor and the Sublessee, as such Lessee's Assignment has been or will be amended and restated as of the Effective Date may from time to time be further amended, modified or supplemented in accordance with the terms thereof.

"Substitute Equipment" has the meaning set forth in Section 10.2 of the Sublease.

"Supplemental Headlease Rent" means any and all amounts, liabilities and obligations (other than Basic Headlease

Rent) which the U.S. Lessor assumes or agrees to pay to or as directed by the German Lessor and the Purchaser under any of the Cross Border Documents, including, without limitation, Headlease Stipulated Loss Value and interest (including any payments at the Overdue Interest Rate) and payments pursuant to Accounts Receivable Purchase Agreement No. 2.

"Supplemental Sublease Rent" means any and all amounts, liabilities and obligations (other than Interim Rent, Basic Sublease Rent and Renewal Rent) which the Sublessee assumes or agrees to pay to or as directed by the U.S. Lessor, the German Lessor and the Purchaser under any of the Operative Documents or the Cross Border Documents, including, without limitation, Sublease Stipulated Loss Value and interest (including any payments at the Overdue Interest Rate) and indemnity payments, including, without limitation, any such payments pursuant to Section 10.2 or 10.3 of the Agreement to Purchase and Lease, the VAT Agreement, and the Tax Indemnity Agreement.

"Supplemental Tax Indemnity Agreement" means the Supplemental Tax Indemnity Agreement, dated as of the Effective Date, between the Sublessee and the U.S. Lessor.

"Tax" means any and all fees (including, without limitation, documentation, license, recording, filing and registration fees), taxes (including, without limitation, income, franchise, gross receipts, value added, turnover, sales, use, property (tangible and intangible) and stamp taxes), levies, assessments, imposts, duties, charges or withholdings of any nature whatsoever, as now or hereafter existing, imposed by any jurisdiction or taxing authority including, without limitation, the United States of America, the Commonwealth, and the Federal Republic of Germany and any political subdivision or taxing authority thereof at any time existing, together with any and all penalties, fines, additions to tax and interest thereon.

"Tax Assumptions" means those tax assumptions set forth in Section 2 of the Tax Indemnity Agreement.

"Tax Benefits" has the meaning specified in Section 1 of the Tax Indemnity Agreement.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement, dated as of the Execution Date, between the Sublessee and the U.S. Lessor, as amended and supplemented by the Supplemental Tax Indemnity Agreement, as such Tax Indemnity Agreement may from time to time be further supplemented, amended or modified in accordance with the terms thereof.

"Tax Laws" means, with reference to any date or any period, (i) all Federal tax statutes, including, without limitation, (A) the Code, and (B) all other Federal tax statutes, such as but not limited to Revenue Acts and also including any Federal tax provisions included in any Public Law or other Federal statute, that are in force and effect with respect to such date or period; and (ii) all rules and regulations, including, without limitation, Treasury Regulations and Temporary Regulations, whether legislative regulations, statutorily authorized implementing regulations, interpretive rules and regulations, and procedural rules and regulations, that are at any time promulgated and in force and effect with respect to such date or period under a Federal tax statute that is in force and effect and applicable to such date or period, and includes, without limitation, revenue rulings or similar authority that may be cited as precedent.

"Transaction Costs" means all of the reasonable costs and expenses incurred by the Indenture Trustee, the U.S. Lessor or the Original Noteholder in connection with the negotiation, preparation, printing, execution and delivery of the Operative Documents, the Notes and the Cross Border Documents and in connection with the transactions contemplated thereby, all of which shall be evidenced by appropriate bills or invoices, including, without limitation:

(i) the reasonable fees, expenses and disbursements of (A) Messrs. Ropes & Gray, special counsel for the U.S. Lessor, (B) Messrs. Csaplar & Bok, special counsel for the Original Noteholders, and (C) Messrs. Richards, Layton & Finger, special counsel for the Indenture Trustee;

(ii) the initial fees and expenses and disbursements of the Indenture Trustee;

(iii) document production costs in connection with the Operative Documents and the Cross Border Documents;

(iv) the costs of the appraisals referred to in Section 5(n) of the Participation Agreement and Section 4(1) of the Agreement to Purchase and Lease;

(v) the fees, expenses and disbursements of an appraiser/consultant engaged by the U.S. Lessor to review the Operative Documents;

(vi) the fees of Xitech Inc., a Delaware corporation as invoiced on March 21, 1988; and

(vii) computer and data processing charges and other out-of-pocket expenses and costs relating to the Cross Border Transaction.

"Transfer" means the transfer of all right, title and interest of the U.S. Lessor or the German Lessor in the property being transferred, free and clear, in the case of a Transfer by the U.S. Lessor, of the Lien of the Collateral Assignment (if the German Lessor shall be required to release the Lien of the Collateral Assignment pursuant to the terms thereof) or, in the case of a Transfer by the German Lessor, of the Lien of the Accounts Receivable Purchase Agreement (if the Purchaser shall be required to release the Lien of the Accounts Receivable Purchase Agreement pursuant to the terms thereof) and of any Lessor Liens attributable to it, but otherwise without recourse, representation or warranty whatsoever, express or implied, except as to the nonexistence of any Lessor Liens attributable to it, which warranty shall be repeated at the time of such transfer and shall survive such transfer.

"Trust Indenture Supplement" means a supplement to the Indenture, in substantially the form of Exhibit A to the Indenture, that, pursuant to the Granting Clause of the Indenture, shall create a first mortgage and security interest on the items of Equipment referred to therein and assign and pledge the related Lease Supplement executed and delivered pursuant to the Lease to the Indenture Trustee as part of the Indenture Estate.

"U.S. Lessor" means Security Pacific Equipment Leasing, Inc., a Delaware corporation, its successors and permitted assigns.

"U.S. Lessor's Bill of Sale" means the Bill of Sale, dated the Effective Date, from the U.S. Lessor to the German Lessor.

"VAT Agreement" means the VAT Agreement, dated as of June 30, 1988, among the Sublessee, the U.S. Lessor, the German Lessor and the Purchaser relating to German value added tax, as such VAT Agreement may from time to time be amended, modified or supplemented in accordance with the terms thereof.

"Warranty Bill of Sale" means the Warranty Bill of Sale, dated as of the Delivery Date, from the Sublessee to the U.S. Lessor substantially in the form of Exhibit L to the Participation Agreement.